REF: NSL/SG/2024-25/
Date : 14.05.2024

BSE Ltd.
PhirozeJeejeebhoy Towers
Dalal Street
Mumbai – 400 001

Company Code – 532698

National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G,
BandraKurla Complex,
Bandra (E),
Mumbai – 400 051.
Company ID - NITINSPIN

Sub. : Transcript of Analyst/Investor Earnings Call held on 10.05.2024

Dear Sir/Madam,

Pursuant to regulations 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached transcript of the Company's Analyst/ investor Call held on May 10, 2024 on Operational and Financial Performance of the Company for the Quarter and Year ended on ended 31st March, 2024. The same is also available on the website of the Company i.e. www.nitinspinners.com.

Thanking you,
Yours faithfully,
For- Nitin Spinners Ltd.

Sudhir Kumar Garg
Digitally signed by Sudhir Kumar Garg
Date: 2024.05.14 10:19:19 +05'30'

(Sudhir Garg)
Company Secretary & VP (Legal)
M.No. ACS 9684

"Nitin Spinners Limited

Q4 FY '24 Post-Results Conference Call"

May 10, 2024

MANAGEMENT: **MR. DINESH NOLKHA – PROMOTER, MANAGING DIRECTOR – NITIN SPINNERS LIMITED**
MR. P MAHESHWARI – CHIEF FINANCIAL OFFICER – NITIN SPINNERS LIMITED

MODERATOR: **MR. AWANISH CHANDRA –SMIFS LIMITED**

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 10th May 2024 will prevail.

Moderator: Ladies and gentlemen, good day and welcome to Nitin Spinner's Limited Q4 FY '24 Post Results Conference Call, hosted by SMIFS Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on a touchstone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Awanish Chandra from SMIFS Limited. Thank you and over to you Awanish.

Awanish Chandra: Thank you Zico. Good evening everyone. On behalf of SMIFS Limited, I welcome you all to quarter 4 FY '24 and full year FY '24 earnings conference call of Nitin Spinner's Limited. We are pleased to host the top management of the company. Today we have with us Mr. Dinesh Nolkha, Promoter and Managing Director of the company and Mr. P. Maheshwari, CFO of the company. We will start the call with initial commentary on results then we will open the floor for question-and-answer.

Now I will hand over the call to Mr. P. Maheshwari, CFO of the company. Over to you Maheshwari sir.

P. Maheshwari: Thank you Awanishji. Good evening and warm welcome to all the participants to this conference for Q4 and FY24 Earnings call. I hope all of you had a chance to go through our investor presentation that has been uploaded on company's website and stock exchange portals. Before Shri Dinesh ji elaborate on current industry and business landscape, I shall be providing the financial highlights for quarter and full year ended 31st March, 2024.

Revenue for Q4-24 was INR800.71 crores against INR750.42 crores during Q3-FY24 i.e. an increase of 7% on QOQ basis.

On YOY basis, revenue increased by 22% from INR654.8 crores to INR800.71 crores in Q4-24. For the full year, revenue is INR2,905.65 crores against FY23 revenues of INR2,406.71 crores, posting an increase of 21%.

EBITDA for the quarter stood at INR116 crores as compared to INR103 crores in Q3-FY24 and INR71 crores in Q4-FY23. EBITDA for full year FY24 is INR377 crores versus INR297 crores in FY23 i.e. a growth of 27%.

EBITDA margins for the quarter stood at 14.52% against Q3-FY24 margins of 13.7% and Q4-FY23 margins of 10.8%.

Profit before tax for the quarter is INR52.78 crores against INR43.07 crores in Q3-FY24 and INR40.75 crores in Q4-FY23. For the full year FY24, profit before tax is INR177.53 crores against INR175.88 crores in FY23.

PAT for the quarter is INR39.17 crores against INR31.75 crores in Q3-FY24 and INR38.54 crores in Q4-FY23. PAT for the full year FY24 is INR131.52 crores against last year's PAT of INR164.81 crores lower due to higher tax rate during the current year.

EPS and cash EPS for the quarter is INR6.97 and INR13.42 per share respectively. Full year EPS and cash EPS is INR23.39 and INR44.47 per share respectively.

As of March 24, the company's debt profile stood at INR1,339 crores comprising INR811 crores in long-term debt, INR383 crores working capital and INR145 crores as current maturities of term loan.

The Board of Directors has recommended a dividend of 25% i.e. INR2.5 per share, i.e. same as last year.

That is all from my side, I now request Shri Dineshji to apprise the participants about industry and present business landscape.

Dinesh Nolkha: Thank you, Maheshwariji and Awanishji. I would like to first elaborate on the industry. After the challenges which we have faced in the previous year, the textile industry in India has undergone a phase of consolidation during the year, 2023-2024, benefiting from stable raw material prices and a gradual increase in demand.

Despite ongoing geopolitical challenges such as Russia-Ukraine conflict, Red Sea crisis, which has resulted in a higher freight cost and extended transit times, our country's cotton textile exports have demonstrated a healthy rebound. This resurgence has led to improvement in capacity utilization and margins within the cotton spinning industry.

This growth is largely driven by increased demand from downstream sectors such as home textiles and apparel. The capacity utilization in knitting and denim is still subdued, which is expected to revive in the near future.

Cotton prices heavily fluctuated in the previous year, which reached to the levels of INR1,10,000 at peak and came back to INR55,000 to INR58,000 per candy recently. The prices are now fairly stable since last few months, and Indian cotton prices are competitive against international cotton prices.

Going ahead, the cotton prices are expected to remain stable in view of good crops in various countries overseas in anticipation of a good monsoon and crop in India as well. The stable cotton prices eliminate uncertainty and help international customers and the retail chains to plan and forecast their purchases in a better way. This augurs well for the Indian textile industry.

Looking ahead, the textile sector is eagerly awaiting implementation of various measures from the government of India, like establishment of textile parks, PLI, various schemes for boosting exports. The measures were in active consideration, however held up due to elections. I hope implementation of these schemes post-elections will help long-term growth of Indian textile industry.

Coming on to the company's performance, the company has effectively executed its expansion strategy, leading to a substantial growth in our revenues. Through the strategic utilization of technology, process optimization, capacity enhancement and investments in our workforce, we have witnessed notable improvement in our operating margins as well. Both spinning and woven fabric utilization have reached nearly the optimal levels during the last quarter, contributing to a 7% quarter-on-quarter growth in the revenues.

Looking forward, our commitment to innovation, operation excellence and expansion into value-added segments while being sustainable remains unwavering. With a strong foundation in place, we are well-poised to capitalize on emerging opportunities and possess the ability to address any potential challenges.

With this, I would like to open the floor for questions from the participants.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Manish Ostwal with Nirmal Bang Securities Pvt. Ltd. Please go ahead.

Manish Ostwal: Yeah. So, thank you for the opportunity and good set of numbers for the quarter given the environment. So, my first question on the volume growth outlook for FY-25 given we have excess capacity. So, we want to ramp up our new facility also. So, what is your outlook for FY-25 in terms of volume growth?

Dinesh Nolkha: Already in the last quarter, We are nearly running to the top capacity levels. And our total production, if you see our presentation, it is about 91,000 tons of yarn which we have done last year.

Our rated capacity is around 1,10,000 tons per annum. And we can produce, after giving all efficiencies and others, about 1,05,000 tons. So, we are looking for that kind of capacity utilization which is about 10% more from the present last year's capacity.

Manish Ostwal: Okay. And secondly, sir, the current spread of yarn versus cotton versus quarter 4 average spread. So, how is the current spread moving in the market?

Dinesh Nolkha: Spreads have definitely improved which is why the reason you are seeing an improvement in the operating margin. So, and since the cotton prices we expect to remain stable. Basically, the cotton prices have remained in the range of INR57,000, INR58,000 plus minus INR3,000 a candy for good last 6 months, 7 months, 8 months which is going to continue going forward as well as we look forward. So, margins should remain stable and as the demand increases definitely the margin for the spinning should also improve.

Manish Ostwal: And lastly, on the export side of the demand whether things are improving at a gradual pace or you are seeing a very meaningful improvement in the export demand especially the centers like Bangladesh and Vietnam where the demand is improving ultimately. So, how you are reading those things?

Dinesh Nolkha: Demand is definitely improving and it is not a very fast pace. It is a normal pace. If you see the data of imports by various of these countries we are seeing that China has started to re-import large quantities. In March they have increased their imports of cotton yarn substantially. I think the year-on-year basis the increase is about 35% 40%. So, there is a substantial increase happening everywhere.

But exports from India overall if you see they have improved at a good pace in last 6 months, 8 months. And now I think they will remain stable for next another 6 months on the same level what we have seen in March and April.

Manish Ostwal: And lastly, what is your outlook on margins operating? We closed the year, full year 13% EBITDA margin versus 12.3% last year. So, how do you see the margin trajectory going ahead F25 basically?

Dinesh Nolkha: Basically, we do not give any projections for the margins. But just an indication is that our last quarter margin was 14.5. So, if you are able to maintain that also it should be substantial improvement from the existing levels, yearly levels.

Manish Ostwal: Thank you and all the best for the F25.

Dinesh Nolkha: Thank you.

Moderator: Thank you. The next question is from the line of Jatin Damania with Svan Investments. Please go ahead.

Jatin Damania: Good evening, sir. And thank you for the opportunity. Sir, as you indicated that we are already…

Moderator: Sir to interrupt sir, sir may I request that you use your handset, sir? Your audio is not very clear.

Jatin Damania: Is it audible now?

Moderator: Yes, sir. It is better now. Please go ahead.

Jatin Damania: Yes. So just wanted to understand that as you indicated that we are operating already at 80% to 90% of rated capacity. So, taking the…

Moderator: Mr. Jatin Damania we are unable to hear you, sir. Sorry to interrupt, Mr. Jatin Damania. Hello. Sir, your audio is not clear, sir.

Jatin Damania: Hello. Is it audible now?

Moderator: Yes, sir. It is audible. Please go ahead.

Jatin Damania: I am extremely sorry. Just wanted to understand that we closed this year with a rated capacity and we clocked revenue here about INR800 crores at this point of time. So, taking that into consideration FY25 we will be able to manage INR3200 crores of top time. If I want to look if one wants to look 2-3 years down the line, how can one look at the capacity allocation and the change in the product mix?

Dinesh Nolkha: Both are separate things I mean utilization of the capacity and then accordingly one is growing the existing capacity. Another thing is the change in the product mix. So, as far as capacity is concerned as I have told that we are near to our top capacity and we have very small leverage left if you compare our last quarter number to increase the capacity especially in the spinning business.

As far as our fabric business is concerned we still have some scope left to improve upon there. There is the scope of improvement. Here the scope of improvement is only 4%, 5% whereas there the scope of improvement is another 8% to 10%. So, there also we can try to improve. Our knitted fabric capacity utilization has been on a slightly lesser side.

. So, we have a scope to improve upon there as well. So, going forward we are trying to optimize all the capacity utilization which we have and that is the motto which we have for the coming financial years.

Jatin Damania: So, coming financial year I agree, but if I am looking from 3 years to 5 years perspective, so from a longer term vision. So just wanted to understand I mean are we looking at further expansion or probably we are looking at addition of a spindle and how shall one look at the growth for 26, 27?

Dinesh Nolkha: Basically, we are going to add the capacity as we will look at the various kinds of products which we want to get into. We have a lot of gamut of products which we can get into. That is still on. We are always continuously studying the products which we need to go ahead and do the business in. So there is a scope there. Also, we have a lot of scope to increase our capacity in the fabric business.

Since our size is very reasonable at this point of time, we have ample scope there to grow as well. So we are evaluating and definitely will continue to grow going forward as well. We have been in past also we have taken measured expansion considering our size and considering our size of balance sheet as well and accordingly we'll continue to do that as well.

Jatin Damania: And last question from my side. So on the operating margin or the EBITDA margin definitely on the sequential basis we did improve, but just wanted to understand we were also talking about some improvement in power and fuel cost. So what are the steps taken by the company to lower down the power and fuel cost and the benefit of the same that can come in coming years?

Dinesh Nolkha: We have added substantial solar capacity -- solar power capacity. Now our capacity is about 23 megawatts. If you see at the end of the last year this capacity was about 12, 13 megawatts.

So we have added more than 10 megawatts of capacity. Further, we will be adding some more capacities during the current year. Whatever capacity, whatever the available infrastructure which we have within our plants we'll further trying to add up another 7 to 8 megawatts of power within our own campuses.

So this will definitely have a means I can just share with you the total generation which we are supposed to have from solar is about 2 crores 70 lakh units. That 2 crores 70 lakh units and our average rate of power is about INR7 and there the cost of power is substantially lower. Substantial improvement in the power cost is going to come in going forward.

Jatin Damania: And last question, I'm sorry, but can you help us in understanding what are the current spreads as compared to the Q4 average?

Dinesh Nolkha: Current spreads?

Jatin Damania: Current spreads?

Dinesh Nolkha: More or less like Q4. There is no major change in the spreads if we compare it with Q4 at this point of time.

Jatin Damania: Thank you and all the best. That’s all from my side.

Moderator: Thank you. The next question is from the line of Rohan Shah from Valcore. Please go ahead.

Rohan Shah: Hi, sir. First of all, congratulations on a good set of numbers. Sir just a couple of questions from my end. Sir could help us with the degrowth that happened last year due to price like the last year price degrowth if you can help us how much it was?

Dinesh Nolkha: Last year, price degrowth was Maheshwari, can you highlight on that? What was the average realization per kg?

P Maheshwari: So overall yarn price we are talking about last year it was 338 per kg and this year average price was 274 per kg. So it's about 19% reduction in the yarn price.

Rohan Shah: Sir, would you say that as far as the margins are concerned and the revenue is concerned now we would be going up as compared to the past year like the last year and we'll be achieving better margins in the coming year?

Dinesh Nolkha: I think the worst is over for all the textile industry barring some uncertain things happening geopolitically. I think we should be looking for a better times only.

Rohan Shah: And sir in Vardhaman Textiles commentary they said that the demand is gradually increasing, but it will take around 6 months to 9 months for a more robust demand. So would that be the same as you said that through 6 months you see the exports being a bit stable?

Dinesh Nolkha: Yes, our point of view is also similar that still because of all these disruptions we expect that maybe it should take full demand to come in 5 months to 6 months more.

Rohan Shah: Thank you so much. That was it from my end.

Moderator: Thank you. The next question is from the line of Hemang Kotadia with Anvil. Please go ahead.

Hemang Kotadia: My first question is on the cotton side. Have we covered cotton for the coming season like the season ended in March, so have we covered cotton till September or October? And the second question is what will be our priority in FY25 to reduce the debt or are we going to expand further in like value-added fabric or kind of thing?

Dinesh Nolkha: First of all, we do not share what kind of inventories we have and how much we have covered. So that is not shared for confidentiality reasons. Secondly, as far as going forward we are definitely tearing down some of our debt which is a normal repayment of debt of about INR150 crores in the next year. So that will definitely come down.

And whatever our growth plans will be we are going to plan some - we'll have some growth plans going forward as well. So some part of it normally in the initial phases is spent on the internal accruals only. So for at least for this next year you can consider that no new additional loans are going to be added to the company's balance sheet.

Hemang Kotadia: Okay, thank you and all the best for the future.

Moderator: Thank you. The next question is from the line of Abhinit Anand from 3P Investment Managers. Please go ahead.

Abhinit Anand: Yes, just on the - you gave the yarn prices, Maheshwari ji, average for the 2 years. If you can help the fabric and cotton prices as well?

P Maheshwari: For this year as I have told it is about 274 per kg.

Abhinit Anand: Sir, I was talking about cotton and fabric?

P Maheshwari: Fabric prices this year average realization of fabric was 160 per meter. Last year it was about 182 per meter.

Abhinit Anand: And average cotton prices?

P Maheshwari: Cotton prices this year average is about 180 and last year it was about 220.

Abhinit Anand: On the debt side what are the long-term and short-term debts and what are the rates for that?

P Maheshwari: Long-term debt on the balance sheet is at present it is INR811 crores which is long-term and 145 of current maturities. So that is INR956 crores of term debt and INR383 crores of working capital. Term debt is about 5.5% net of subsidies. Of course, new debt subsidies is still to come. Term loan this working capital is about 7.5% average.

Abhinit Anand: So when you say subsidies still to come, so we are charging at 5.5% or we are charging at normal when the subsidies are coming?

P Maheshwari: No, new loans we are charging off in the quarter at full rate. For the older loans, we are booking the subsidies because we are getting them. For the new loans for INR650 crores we are not booking the subsidies.

Abhinit Anand: Okay, out of that 960, 650 is new loans and there you are probably charging 8.5% as a number. and 310 crores you are charging probably 5.5. So what is this issue with -- I mean, is there some delay in getting or something? We have approval for that, right?

P Maheshwari: No, due to election process, the meeting is not happening and that's why the sanction is delayed. So we have complied with all the formalities. It's just a formal sanction to come.

Abhinit Anand: So this quarter's INR27.8 crores is ideally higher, right, than a normal number?

P Maheshwari: Yes.

Abhinit Anand: Because 3Q was INR25 crores and I assume that INR25 crores is an average number for the current debt?

P Maheshwari: Correct, yes.

Abhinit Anand: So this can go down even -- I mean, without debt going down, this rate can come down, right?

P Maheshwari: Correct.

Abhinit Anand: Thank you, sir. That was my question.

Moderator: Thank you. The next question is from the line of Kaushik from Wallfort. Please go ahead.

Kaushik: Yeah, hi, sir. Thank you for taking my question. Just one thing on the subsidy. You said you are not accounting for the subsidy on the new loan, which last time you had mentioned is about INR 20 crores for the full year and INR 5 crores per quarter. So once the subsidy is approved, our interest cost will come down by INR 5 crores per quarter, right?

P Maheshwari: Correct.

Kaushik: So right now it's INR 28 crores approximately. It will come down to INR 23 crores?

P Maheshwari: Yes.

Kaushik: And for the last two quarters, we have not accounted for that. So once that's approved for the last two quarters also, we will account for the INR 10 crores approximately?

P Maheshwari: So this depends on the terms and conditions of the sanction. It might be from the date of sanction for -- because the interest of the subsidy is for five years, so we have to see the sanction letter from which date they give, but of course it will be for five years, whichever date they will start.

Kaushik: Okay. And we don't see any hurdle, right? It's just because of the election. So now because the central elections are going on, so it's further delayed.

P Maheshwari: Yeah, because the elections, this was delayed. So maybe the sanction meeting may be held anytime in the first week of June or so.

Kaushik: Okay, sir.

Dinesh Nolkha: Actually due to model code of conduct, they are not able to take it up, this kind of sanctions because it is, they have to take permission from the Central Election Commissioner for this, which the state government is not pursuing with. So we'll definitely, as soon as these elections are over, everything is crystal clear in this particular case. So we should be able to get it through within the next one and a half month.

Kaushik: Okay, sir. That's it for my end. Thank you very much.

Moderator: Thank you. The next question is from the line of Nikhil Agarwal from VT Capital. Please go ahead.

Nikhil Agarwal: Good evening, sir, and thank you for the opportunity. Sir, my question was regarding exports. In FY'22, our exports, I believe, were about 73% of the top line came from exports. And currently, it's about 60%. So going forward, since the export demand is picking up, do we see this 60% mix going towards the 70% plus this year itself in quarter three or four maybe?

Dinesh Nolkha: I think your numbers are not right on the export for the FY'23. FY'23 also…

Nikhil Agarwal: Sorry, FY'22.

Dinesh Nolkha: Yeah, FY'22 was an extraordinary year, wherein we had a lot of export demand coming from all around the world. So I do not foresee that number going there. As a strategy, we would rather keep ourselves limited up to 50 -- in the band of 55% to 60% on the export side. And that's what we're doing.

Nikhil Agarwal: So your realizations in domestic and exports are the same, right, or is it better on the export front?

Dinesh Nolkha: It is more or less same. It is practically maybe not anything major to talk about as far as realizations are concerned on that side.

Nikhil Agarwal: Okay, and you mostly export yarn, or do you export fabric as well?

Dinesh Nolkha: We do export fabric as well. Our export share of fabric is also substantial. So both are getting exported.

Nikhil Agarwal: Okay. So what about -- just a clarification, you said you're -- can you just repeat your average yarn, fabric and cotton prices for the year, for FY'24 and FY'23? I think I missed out some numbers.

Dinesh Nolkha: Maheshwariji, they want the numbers of yarn, average yarn realization, of fabric realization and the cotton prices for last year?

P Maheshwari: As I already told, this yarn realization for this year is 274 per kg versus last year 338 per kg. Fabric realization was 160 per meter and last year 182 per meter.

Nikhil Agarwal: Okay. And this is FY'24 and FY'23, right?

P Maheshwari: Yeah.

Nikhil Agarwal: Okay. And cotton, average cotton prices?

P Maheshwari: For average cotton prices, this year was INR180 and last year it was INR220.

Nikhil Agarwal: Okay, got it. That's it for me. Thank you so much.

Moderator: Thank you. The next question is from the line of Ameet Kalyanpur from East India Securities. Please go ahead.

Ameet Kalyanpur: Yeah, thanks for the opportunity. Sir, can I get to know what is the debt repayment in FY'25 and FY'26 that is scheduled?

Dinesh Nolkha: I think it is INR145 crores in FY'25 and in FY'26, it is INR177 crores. Maheshwariji, am I right?

P Maheshwari: Yes, INR174 crores.

Dinesh Nolkha: INR174 crores.

Ameet Kalyanpur: Okay. And what is the capex expected in both these years?

Dinesh Nolkha: We have not yet planned the capex. We will -- as we get the plans ready for our capex, we'll let you know about that. Normal capex, which is of the routine nature, is about INR15 crores to INR20 crores that is happening. That happens every year due to various requirements for debottlenecking and other things. Apart from that, major capex plan has not yet been decided.

Ameet Kalyanpur: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Priya Gupta from PG Capital. Please go ahead.

Priya Gupta: Thank you, sir, for taking my questions. First of all, congratulations to the management team for giving a good margin performance. Sir, I have a couple of questions. First is, now we have charged INR36 crores depreciation. So it is the full depreciation we are charging now or this will be a quarter run rate now?

Dinesh Nolkha: Yeah, this INR36 crores every quarter will be charged. So the average -- the depreciation next year is expected to be on the current set of fixed assets is about INR145 crores. So I think this is what the depreciation is going to be in the next three, four quarters at least.

Priya Gupta: Okay. Sir, my next question is what would be the maintenance capex for the existing total gross block.

Dinesh Nolkha: Normally, we do not have a kind of maintenance capex. We do all the maintenance part of equipment and others is normally put to the revenue itself. And if we do some value addition or some debottlenecking or we add some machines, then only that is considered in the capex, which I just now told is about INR20 crores every year.

Priya Gupta: Okay, INR20 crores. Okay, sir, my last question is, like what is your view on cotton prices and cotton crop size in current season?

Dinesh Nolkha: I have shared in my opening commentary as well that the cotton price have practically remained stable from INR58,000 plus-minus INR3000. It has been there for last six, seven months. And we expect this to remain like this only.

We are expecting very good international crop in various parts of the world, and especially in southern hemisphere. And also the coming U.S. cotton as well as Indian cotton crop is also looking good because of the good forecast of the monsoon. So I do not foresee any major increase in the cotton prices, at least in this calendar year.

Priya Gupta: Okay, sir, thank you, sir.

Moderator: Thank you. The next question is from the line of Vinayak Mohta with Axia India. Please go ahead.

Vinayak Mohta: Hi, sir, congrats on a great set of numbers. So I had a few questions focused on the growth and the capacity utilization front. So like you mentioned that you've just sold around 73,000 of the 110,000 capacity on the yarn front and 5,000 of the 11,000 Knitting capacity. So right now you have decent amount of capacity left. So is it fair to assume that going forward, you will have a double trigger of volume growth as well as realization growth flowing into the business as things improve? And how do you see the volume growing in the next two to three years?

Dinesh Nolkha: Actually, for the yarn, our capacity, our utilization was about 91,000 tons in the last year. So I think you must have seen the sales number of 73,000.

Vinayak Mohta: Yes.

Dinesh Nolkha: But we have internal consumption also about 18,000 tons. So that has to be added up to this. So on the capacity utilization front, we do not have much left as far as yarn business is concerned. We have a scope to, if we see on annual to annual basis, maybe another 10% to 12% capacity utilization can improve going forward.

As far as our weaving capacity is concerned, similar weaving and finishing capacity, we can go about 7% to 8% there as well. Yes, knitting utilization level is slightly lesser. So there we can have a slight improvement over there. So we are focusing on that as well. So considering everything put together, we should be in a range of volumes. We should consider 10% around volumes for the coming up, coming years.

As far as realization are concerned, as I've just now highlighted that cotton prices we expect to remain stable. So only trigger now left is the demand. If we foresee a good demand going forward, then only the prices could substantially improve from this level.

Vinayak Mohta: Understood. So when you say that you don't have a lot of capacity left, so and right now you don't have any kind of specific plans, you might be working on that. So is it fair to assume that you will be able to put up capacity much faster? And if yes, then what is the timeline of putting up that capacity? Because if we are at a cyclical low, then we would want to have capacity set for as in when demand comes to be able to garner a larger share of the demand, right? So how are you pleased with that thought process? Because you believe that it's almost, we are at the cyclical low.

Dinesh Nolkha: We have just now, I completely believe in what you said. And accordingly, we have just now put a substantial capacity capex in place and it has rectified fully in last quarter itself. So we added about 35% of our capacity in last six months only it has come up. Going forward also, utilization as we, everything is on drawing board at the moment. So we'll, once we are ready with our plan of what capacity we are going to add up, what are our breakup of that, we'll definitely share with you about the same. So that will be definitely something on the cards.

Vinayak Mohta: Understood. But it would be safe to assume that we'll be able to put up capacity faster and utilize the same as well, right?

Dinesh Nolkha: Yes, of course, because now the delivery availability of the equipment is also quite reasonable. And also ramp up, we have already the infrastructure to ramp up the capacity. So definitely we should be, we are in a good state. We have already demonstrated this in past four or five years continuously that as the capacity is put up, we are able to ramp it up pretty fast.

Vinayak Mohta: And so you had also guided towards margins eventually moving into that 16% to 20% range. So is it like, how do you see that evolving as a longer term target? I would not ask for next year, you've said that we will try to target the 14.5% range. But how do you see the margins evolving over a longer period of time? Because from a historical 10, 12 year perspective, this 12%, 13% for the year is more or less the technical rules that you have seen as a business. So yes, just wanted your thoughts on that.

Dinesh Nolkha: Yes, exactly. I mean, this is the margins of spinning industry in the range of 10%, 12% and overall have been the lowest levels, which we have seen in last 8, 10 years. So definitely it is going to improve from here. Major, if you see industry as a whole, major trigger has been the exports. We have quite a substantial capacity dedicated towards export in form of yarns or fabrics or garments in India as such. So exports need to move on.

So that is the prime criteria today. If that is, if there is a demand, substantial demand coming up on that side, definitely we should expect better margins going forward. And that is expected as well. Once all these free trade agreements that is going to happen with UK as well as EU and various other countries, that should also propel the demand going forward.

Vinayak Mohta: Understood. So one last question. So, given the kind of debt we are sitting at right now, and given that you're almost utilized fully and you expect to put some additional amount of capex as well, how do you see two things? How do you see the debt picture? And because of that, we have also seen suppressed ROCE. So how do you see these two parts evolving considering the fact that you are also aiming to have certain amount of capex, which maybe you are thinking to put through internal accruals but just wanted to see how do you think the ROCE expanding in the next three to five years or from a longer term perspective? Where do you see it as a target?

Dinesh Nolkha: Actually, debt to total equity is about 1.15-1.16 level, which is very reasonable. Plus, given the nature of the industry where the capex involvement is quite high to putting up the capacity and then using it as well. So, considering that, this is a very reasonable level. And we would continue to try to continue to see that we remain in this 1 to 1.2 band itself. That is one part. Second part is, as far as your ROCE is concerned, all these debts are at subsidized levels, 5.5%. So, we do not see any logic in prepaying them.

If you see our return on assets is about 13%, 14%. In a normal margin level, it should be 15%, 16%. So, if you have debt at 5% level, you should rather leverage it rather than repaying it. So, need to keep it at a reasonable level. I've also stated in my earlier calls as well that we would like to keep this particular debt interest costs in the range of 2.5% to 3% of our revenues. As long as that is there, plus debt equity in the range of 1:1.2, we are quite comfortable making the growth plans as well.

Vinayak Mohta: Understood. So, just one small clarification. You said that you will be getting subsidy on the interest cost for five years as in when the approval is received from the government, is that correct?

Dinesh Nolkha: Yes, right.

Vinayak Mohta: Okay, perfect. Thank you so much, sir, and all the best. Thank you.

Moderator: Thank you. The next question is from the line of Anil Kumar, who is an investor. Please go ahead. Mr. Anil Kumar, your line has been unmuted. Please go ahead with your question. We'll move to the next participants as there's no response. The next question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

Saket Kapoor: Yes, Namaskar, sir, and thank you for the opportunity. Firstly, sir, in your presentation, and also I think I missed your opening remarks, so sorry for repetition. You spoke about increasing the proportion of value-added products. So with now the capitalization of around INR340 crores rupees from capital work in progress to your asset, what should be, what is the current year proportion of value-added and next year what are we expecting?

Dinesh Nolkha: Actually, at this point of time, if you see our breakup of the revenues, the fabric portion itself is about 25%, 26% of our total revenues. So that is definitely a value-added portion. Plus, we have in the spinning business also certain value-added products. So that constitutes around 14% to 15% of our sales. So that all put together, it is about 38% to 40%, where we do a reasonable value addition in comparison to normal commodity yarns. So this proportion slowly is going up.

We expect that total, we should be doing it more than 50%. Value addition proportion has to be more than 50% of our total revenues. So this is how, as far as capital asset is concerned, yes, we can distinguish between the total, what is the capex we are doing for fabric and other business, but we cannot distinguish for the value-added yarns specifically how much is being given. It is a continuous process where you have various equipment's changed and their production speeds changed and other things done so as to get a better value-added product.

Anil Kumar: So the journey from 34 to 50%, what would be the time period by which we will be...

Dinesh Nolkha: It is about 40%, 38% to 40% at the moment.

Anil Kumar: Right, so 40 to 50.

Dinesh Nolkha: Yes, it's a process which we should be able to, which we are continuously exploring and even if we do not do any capex or substantial capex, we should be able to get this thing done in the next one to one and a half years.

Anil Kumar: Okay, and this entire INR340 crores capex has gone in building up the yarn capacity?

Dinesh Nolkha: No, no. It is not INR340 crores. Total capex has been done over the last one and a half year. INR340 crores was of, capital work in progress at last balance sheet. Since then, we have added another INR500 crores during the last year. So total capex done was about INR840 crores, out of which nearly 30% has gone to the value-added portion of weaving, processing, and knitting part that has gone there and rest has gone to spinning part. And in spinning also, we have taken up certain value-added products also in that. So some portion of that has again gone to the value-added yarn as well.

Anil Kumar: Sir, when you look at your power and fuel costs, what is the mix of our renewal and what has been our investment in the renewal segment over the last three years?

Dinesh Nolkha: First of all, the renewal mix at this point of time is about 7%-8%. About 7% to 8%. At this, the capacity which we have is around 7% to 8% depending on the generation. So that is there. And the investment is in the range of, in last three, total investment is nearly INR100 crores, INR95 to INR100 crores, out of which we have invested in three years about INR75 to INR80 crores.

Anil Kumar: And those are in the conventional only. That is, we have created assets for power and fuels. If you could give the mix, INR100 crores where the investment has gone.

Dinesh Nolkha: No, everything on solar.

Anil Kumar: Everything on solar. So INR100 crores investment in solar is translating into only 7% of our dependence on the renewal segment.

Dinesh Nolkha: Yes, exactly, exactly.

Anil Kumar: Okay. And so going ahead, we will be spending more of it. What is the cost of our power, sir? What is the cost, sir? Are we coal-less or coal-derived or electricity-derived?

Dinesh Nolkha: No, no, we have power from the state electricity boards. And the state electricity board power cost is about INR7. INR7.5 paisa, varying as per the fuel surcharges.

Anil Kumar: Okay, so that is a significant cost.

Dinesh Nolkha: Yes.

Anil Kumar: So, sir, as we are seeing that there is so much of investment in this solar space and then the cost return ratio and the cost will go down significantly. So do we have any plan to, going ahead, lowering the cost of power just by going through investment or also pooling of resources with other solar manufacturer or other people coming up with plants and be sharing, coming up with equity investment as has been the case with other companies also. So what's the task you want to glide and that will also give us an ESG score going ahead, a positive ESG score.

Dinesh Nolkha: Yes. Actually, that is always on the cards, but if you see, there is a restriction by the central government as well as the state governments of not putting up power capacity, in terms of capacity, more than what is your sanctioned load. As of now, we have about 50 megawatt of sanctioned load.

So the maximum we can go up to is 50 megawatt. And in that 50 megawatt, the actual power generation is only about 16%, 17%, about 17%. So the maximum with solar, which we can do is about 17% of our total power requirements and we are already at half of that and another half, we are continuously exploring that.

Secondly, as far as the reduction in the power cost is concerned, it's a continuous process. We work very efficiently on that. We continue to evaluate our power costs in different business, different machines, different businesses as well, how we can continue to improve upon that as well. So continuously, that process is again, helping us to reduce our power costs.

Anil Kumar: Right. And lastly, from the Rodtep part out of the exports that we do, what is the Rodtep receivable for FY '24?

Dinesh Nolkha: I think, Maheshwariji, how much is the Rodtep last year? About INR40 crores?

P. Maheshwari: Receivable total?

Dinesh Nolkha: Total Rodtep for the full year.

P. Maheshwari: Should be about INR35 to INR40 crores

Dinesh Nolkha: Exact number is not there with us, I'm sorry.

Anil Kumar: And how much, is it INR30, INR40 crores we have accrued or these certificates are still lying in the receivable and we will be selling them? How much have we realized in our book?

Dinesh Nolkha: Half is realized, half is there in the books, still to be realized.

Anil Kumar: We have made provision for the entire amount, sir. Profitability, we have given its effect.

Dinesh Nolkha: No, no, we have to do it at discounted rates, whatever we sell at. We cannot account it for the 100% value.

Anil Kumar: So INR17 crores realization will be for the next year.

Dinesh Nolkha: Yes. So that is already accrued for, average rates are about 98.5 to 98.6. So accordingly, they have been accrued out. They have been considered for. Maheshwariji, exact how much?

P. Maheshwari: Sir, we have accounted for at 98%.

Anil Kumar: Yes, right. Only to be concluding, what is the capex part of the story is done now? And we will be, so the capitalization of INR340 crores this year and previous year of INR500, what would be the increased turnover we should be going on a quarterly run rate? I think so, the quarterly run rate for this quarter was INR800 crores, but the assets which have been capitalized, the benefits of the same will be accrued in the next financial year. So going ahead, taking into account and running at the current exit prices of March quarter, what should be our quarterly run rate of revenue?

Dinesh Nolkha: I think we have reached the top level in this quarter itself. There is very small capacity which is to be used. If you see the total INR850 crores investment which has gone, would have added about INR800 to INR850 crores of top line as well, about INR900 crores of top line. So we were at 2,400 crores of top line last year. And then that this new capex should add to another INR900 crores. So that is about INR3,200 to INR3,300 crores level. Top line which should be there.

Anil Kumar: Yes, I think exit prices is what we can expect. Yes. I'll join the queue on all the best, sir. Thank you, sir.

Moderator: Thank you. The next question is from the line of Tejal Nagmoti with Elara Capital. Please go ahead.

Tejal Nagmoti: I just want to ask, what is the captive consumption percentage?

Dinesh Nolkha: 20%.

Tejal Nagmoti: 40%?

Dinesh Nolkha: 20, 20, two zero.

Tejal Nagmoti: 20, 20, okay. Thank you.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, we will take the last question from the line of Vikas Rajpal with GRV Capital. Please go ahead.

Vikas Rajpal: Thanks for taking my question, sir. So my question is regarding the potential impact of the FTA on our revenues, or rather the benefit of FTA on our revenues. Will we be a direct or an indirect participant in benefit? What percentage of our total revenues comes from the UK region? And what could be the ballpark figure that could probably percolate into a bottom line?

Dinesh Nolkha: First of all for UK, it means the FTA with UK itself is a very small portion of our top line. In UK, we have exposure of only about 3%, 4%, not much. But if it happens with you as well, then that is a substantial portion of our sales, which is more than 20%. So there it is going to be substantially accrued. Now, it will depend, what is going to accrue to us will depend on what kind of terms and conditions have been agreed. Today, we are at a disadvantage of about 7% to 8% in comparison to competitors like Pakistan and Turkey, where we have our customers factoring that kind of reduction in the per prices from our feed. So hopefully, we should be able to take care of a major portion of that particular advantage.

Vikas Rajpal: All right, sir. So that's it from my side. Thank you, and best of luck.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Awanish Chandra. Over to you, sir.

Awanish Chandra: Dinesh sir, before taking your closing comment, a small query. One of your peers is doing good in technical textile, and one of your largest peers has just announced that they are going into technical textile. So have you ever thought getting into technical textile? Because by the looks of it, it is a huge space globally?

Dinesh Nolkha: Yes, definitely. This is a very huge space globally, and it has a lot of scope to grow, because in India, still we are at a very smaller size. And definitely, as a company, we keep on looking at all the opportunities, even the technical textile. So even if something comes up, definitely we'll update you about that as well.

Awanish Chandra: Okay, sir. Thank you very much, Dinesh sir, and Maheshwari sir, for giving us this opportunity to host the call. For any final commentary before the closing?

Dinesh Nolkha: Yes, sure. First of all, I would thank everyone for taking out the time for joining this earning call. I hope we have been able to address all the queries. I also thank SMIFS and Awanish for hosting this call. For any further information, kindly get in touch with our finance team or our investor relations advisors. Thank you all for once again taking the time to join us.

Moderator: Thank you. On behalf of SMIFS Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.