Vardhmān

Delivering Excellence. Since 1965.

VARDHMAN TEXTILES LIMITED

CHANDIGARH ROAD
LUDHIANA-141010, PUNJAB
T: +91-161-2228943-48
F: +91-161-2601 048
E: secretarial.lud@vardhman.com

Ref. VTL:SCY:NOV:2026-27 **Dated: 10-Nov-2026**

BSE Limited, New Trading Ring, Rotunda Building, P.J. Towers, Dalal Street, MUMBAI-400001. **Scrip Code: 502986**	National Stock Exchange of India Ltd, Exchange Plaza, Bandra-Kurla Complex, Bandra (East), MUMBAI-400 051 **Scrip Code: VTL**

SUB: TRANSCRIPT OF EARNINGS CONFERENCE CALL OF VARDHMAN TEXTILES LIMITED – Q2 FY27

Sir,

Pursuant to the provisions of Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith transcript of the earnings conference call of the Company held on 10th November, 2026 to discuss Q2 FY27 results.

Kindly take the same on record.

Thanking you,

Yours faithfully,
FOR VARDHMAN TEXTILES LIMITED

SANJAY GUPTA

Digitally signed by SANJAY GUPTA
DN: c=IN, postalCode=141010, st=PUNJAB, street=HOUSE NO. - 1883, WARD NO. - 10, LUDHIANA, SECTOR 32-A CHANDIGARH ROAD, 141010, l=LUDHIANA, o=Personal, serialNumber=f90871601590b53e4e52bd5cbc80d f08ab5fd927c0f81aa00bcbf1ae4414a9ab, pseudonym=d15d96776687f40aaaadf9389f5a08c864, 2.5.4.20=124bbd9891b98bc1c230ebad1a3952123 37020eb8179d8a22abbd218f129d95, email=SANJAYGUPTA@VARDHMAN.COM, cn=SANJAY GUPTA
Date: 2026.11.10 10:03:13 +05'30'

(SANJAY GUPTA)
COMPANY SECRETARY

"Vardhman Textiles Limited

Q2 FY27 Earnings Conference Call"

November 06, 2026

MANAGEMENT: **MR. NEERAJ JAIN – MANAGING DIRECTOR – VARDHMAN TEXTILES LIMITED**
MRS. SAGRIKA VIR – EXECUTIVE DIRECTOR – VARDHMAN TEXTILES LIMITED
MR. SUSHIL JHAMB – DIRECTOR, RAW MATERIALS – VARDHMAN TEXTILES LIMITED
MR. RAJEEV THAPAR – CHIEF FINANCIAL OFFICER -- VARDHMAN TEXTILES LIMITED
MR. VARUN MALHOTRA – HEAD OF FINANCE -- VARDHMAN TEXTILES LIMITED

MODERATOR: **MS. ARADHANA JAIN –360 ONE CAPITAL MARKETS PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Vardhman Textiles Q2 FY27 Earnings Conference Call hosted by 360 ONE Capital Markets. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I will hand the conference over to Ms. Aradhana Jain. Thank you, and over to you.

Aradhana Jain: Thank you, Anna. Good evening, everyone. On behalf of 360 ONE Capital Markets, I welcome all participants and the management of Vardhman Textiles to the 2Q and 1H FY27 con call. From the management, we have Mr. Neeraj Jain, Managing Director; Mrs. Sagrika Vir, Executive Director; Mr. Sushil Jhamb, Director Raw Materials; Mr. Rajeev Thapar, CFO; and Mr. Varun Malhotra, Head of Finance.

Without further ado, I would like to hand over the call to Neeraj sir for his opening remarks, post which we can open the floor for the Q&A session. Thank you, and over to you, sir.

Neeraj Jain: Thanks, Aradhana. Good afternoon, everyone. Thank you for joining the investor call. I know it is the festival days nowadays, but I think because of some limitations in the company, we had to have the board meeting these days only. The results, you would have seen the results. So definitely, it is a better performance compared to the first quarter as well as the previous period.

So there are two, three things happening in this period. One, the overall yarn business showed improvement, and that too on account of two major reasons. One, the overall yarn demand was better last six months or so, and the prices of yarn also improved because of the good demand from the export market, and which also helped the domestic market, the domestic prices to move up. Two, so the price improvement happened, one, on account of the demand.

Second, also on account of the increase in the raw material prices. The cost was increasing, so the same work could be passed on to the consumers, to the customers, and as a result of that, there was an improvement. The second was on the cotton front. When we were buying cotton last year, we were buying both the Indian cotton as well as imported cotton.

Imported cotton we were buying because India was under the MSP operations those days, and lots of cotton was being procured by Cotton Corporation of India. So we were not very sure how the prices will move, how the quality will be available. So as Vardhman, we took a position and bought lots of imported cotton. At that stage, the feeling was we will be buying it under advance license, at least to the extent of our export commitment.

But in the meantime, I think as we covered the cotton, there are two things happened simultaneously. One, the New York futures started increasing. From a base of USD0.64, USD0.65 per pound, it increased to almost USD0.75, USD0.80 in this period. Also, the rupee devalued because of the crude increase happened, that too a consequence of the Iran war.

The landed cost increased, and as a result of that, the Indian prices also increased on the raw cotton prices. Eventually, the situation was that we bought the cotton where the prices were much lower, almost in the range of about INR54,000, INR55,000 a candy, both for Indian as well as imported, converted. Later on, because of the New York futures increase as well as the rupee development, the new prices increased to almost INR64,000, INR65,000 a candy.

Generally, the yarn prices are always determined by the current prices of cotton. Since the prices have increased, the yarn prices also improved, as I mentioned earlier also. As a result of that, a part of trading gain came to the company in this period. Two, the internally operations were -- we were doing good operations in terms of the cost control, in terms of the production increase, or in terms of the all other parameters, the product improvement, customer improvement, which is always a continuous kind of a work which keeps going.

So I think, and there were lots of modernizations which were done last year, so all the impact of those also started appearing into the results. Lots of initiatives of the green power, those also started coming into this period. The net effect of that was the overall improvement, company as a whole happened. But as I mentioned, the yarn showed more improvement, again, both on account of operations as well as because of the trading gains.

Now, the new cotton. Also, when we were buying imported cotton last year and we were feeling that most of this cotton will be coming under advance license, in between the government allowed the duty-free import of cotton in India for a period of couple of months.

For us, fortunately, lots of cotton was coming into that period, and as a result of that, probably we could get that cotton duty-free in India, again comparable to the Indian prices, but that also was a kind of a some get benefit coming to us. The new season of cotton has started.

The New York futures continues to be at about USD0.80 as of now per pound, and going by the today's rupee, the landed cost will be in the range of INR65,000 or so per candy, and almost similar is the price in the Indian market also. We have just started buying it, but definitely the cost of cotton this year will be much higher than compared to the last year.

May be a part of trading gain which has happened to the company may not be available going forward, but the overall unless the yarn prices also improves in. That's what the current situation as of now. The ruling prices in India are almost about INR65,000 a candy. And if you look at the Narma selling as of now, which is the raw cotton, it is in the range of about INR9,000 or so per ton, per quintal. It is than the MSP as of now.

If the New York futures continues to be at these prices, it looks like the government intervention through the CCI may not happen this year. But in case the New York futures comes down, then there could be some possibility that the CCI again buys this cotton and later on sells it to the industry. So, that is the situation as of now. On the uncertainty part, I think it is a global phenomenon which everyone knows what is happening in U.S.A.

And expectation is, since now the uncertainty will be coming down, so maybe the overall business worldwide could be a little more stable than the earlier period because earlier it was not very sure which country will have how much of duty. And whenever these uncertainties

happen, I think people start taking the short-term decision rather than looking at a long-term cause.

So, it looks like maybe a better stability in the overall thought process may happen. And, I mean, these are all political events, but which are definitely impacting all the businesses, all the companies in major parts of the countries, in the various countries. So, that is what my thoughts are on the spinning side. I will request Sagrika to give some brief on the fabric, and then maybe we can take the Q&A.

Sagrika Vir: Thank you, sir. I will take you through the fabric business. The second quarter for fabric business was quite challenging. Both top line and bottom line were lower than the corresponding quarter last year and quarter 1. Key factors were lower export volumes, and this has happened amid tariff uncertainty.

Second was pricing pressure in the domestic market because as export volumes dropped, there was more pressure in the domestic market, and we had higher input costs. As we already know from our managing director, yarn prices experienced a surge. So, for us, input costs were higher by, on average, about 20% year-on-year.

And this coupled with increased competition limited our ability to pass on this increase in input cost. Additionally, we had recently commissioned our processing capacity, and we are yet to fully utilize it. So, which is why fixed cost absorption was also little low.

I will briefly explain the market environment. On the exports front, volumes remained below last year. Largely, this is due to tariff uncertainty. Because of tariff uncertainties, a lot of developments that usually come to India were routed elsewhere. So, we also missed the development cycle, some development cycles of customers and their subsequent bulk conversions. So, orders in some customer, most customers, they are not getting dropped, but there has been some delay and some postponement.

So, if a order was supposed to come in July, customers have held it off for by one, two months, given the uncertainty in situation. So, a lot of customers are taking a cautious approach. However, now we see that order pipeline is definitely improving, and with the recent U.S. election results, we expect the political sentiment to be favorable for India, and we expect the tide to turn and business to revive.

Globally, sourcing decisions continue to be influenced by geopolitical developments, so we hope that things will be better now. At the same time, buyers are consolidating their sourcing, and they have a strong preference for suppliers who can offer competitive prices, compliance, traceability, all the way up to fiber stage, quality, and reliable delivery. All these factors play to Vardhman's strengths, as we are a vertically integrated manufacturer.

Our priorities are clear. We have to maximize our spring/summer season bookings. We are expanding our customer base both in Europe and Australia, as U.S., of course, hopefully U.S. will be better, but we will still continue to expand our customer base in other regions. We also continue to strengthen our product portfolio, whether it is in premium woven, in stretch, in

cotton, nylon, performance fabrics, and also by improving speed of product development and customer response.

Over the past year, we have expanded our processing capacity. In our naturals business, our processed fabric capacity expanded by over 25%. We are currently working hard to utilize these capacities, and volumes are surely to increase as business sentiment also improves. As for our performance fabrics business, it is making steady progress following its commissioning in March.

Initial months and quarter 1 was especially focused on sampling, getting some customer approvals, audits, and stabilization. Quarter 2 also we are focusing on sampling and development. We have successfully onboarded a few leading sportswear and outdoor customers as we extend the synthetics offering to our existing customer base also.

We are working towards some developments in the defense segment. We will keep you posted. With confirmed orders and a healthy pipeline, we expect utilization to continue improving through the second half. As volumes build, we will move towards Once we are able to utilize capacities, then we will move towards higher value-added products like coated nylon, coated polyester, and far more performance-related fabrics.

We expect the synthetics business to turn operating positive in the second half of this year. Our decision to expand in synthetics will be taken once we are able to achieve stable utilization and the right targeted product mix.

Now the floor is open for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Soham Samanta from Motilal Oswal Financial Services Limited. Please go ahead.

Soham Samanta: Yeah, thanks. Thanks for the opportunity. Sir, my first question is related to the capex. How we are looking the yarn business going forward in FY28 and '29? What kind of capex we are going to put in this business?

Neeraj Jain: So as of now, the announced capex is only one of the open-end projects with a capacity of about 50 tons per day, which will be operational in next six to seven months' time. Beyond that, we haven't announced anything as of now, but definitely we have taken a big parcel of land at Madhya Pradesh in the PM MITRA Park and of development in the land over there.

So likely to be. Earlier it was likely to be given to us in the month of November, December this year, which is, I understand, delayed by at least eight to nine months' time. So once they'll be handing it over, so we'll be finalizing our plans in between and then maybe once we take it to the Board, we'll be announcing it.

As of now, we haven't announced any major capex plan on the spinning business for next two years. But yes, there are lots of ideas in our mind which are already internally we are

discussing. The only thing is we have to first take it to the board and then we can announce it to the stock exchanges to all the investors.

Soham Samanta: But any roughly idea in a ballpark number what could be the...

Neeraj Jain: Yeah. There are two ways of looking at it. One is the general modernization. Generally, we do about INR400 croress-INR500 crores, which will be the balancing as well as the modernization. I can give you in a different way. Today, the minimum capacity of any new plant will be close to about 100,000 spindles for a company like Vardhman. You have to put at 100,000 spindles, in today's cost, it will not be less than INR1,000 crores or so. If it is a greenfield project, maybe a little higher than that.

My belief, any project which is taken up in the spinning will be starting from at least INR1,000 crores or INR1,200 crores, or maybe if you take out a 200,000 spindles plant, it will be INR2,500 crores or so. But as of now, since there is no decision, I am not in a position to commit anything. These are all thought process, but I can only say minimum capacity of 100,000 spindles will take us more than INR1,000 crores in this.

Soham Samanta: And generally it takes at least 15 months to complete?

Neeraj Jain: From the date of construction, yes, 12- 14 months.

Soham Samanta: Okay. Last part, sir, what is your view on the cotton prices? I mean, obviously it's very volatile, but we all are expecting it will come down. What is your expectation when the new cotton volume, I mean, supply is coming since last October?

Neeraj Jain: Okay. I think we have to look at it and understand the Indian cotton is directly related with the New York futures today. If the New York futures comes down, maybe then it can be higher, which will be then it will be governed by the minimum support price. Let's look at the New York futures, which is in the range of about USD0.80-USD0.82

As of now, or USD0.79-USD0.82 As of now. If you look at the next six months, it's actually increasing to USD0.84 . The March, May, June are showing an increase, and after that, there's a reduction in the month of December 2027, which is close to about USD0.78 . Practically, those signals tell New York futures will continue to be in between USD0.78-USD0.80 , USD0.82 As of now.

Going this INR94, INR95, INR96, the converted costs in India comes to about INR64,000, INR65,000 a candy. Practically, Indian cost, the cotton cost will not come down irrespective of the season or the non-season till the time New York futures is at those levels. It is very difficult for me to take a call on New York futures because I am not an expert. It is different factors which would be operating.

But going by the cost of cultivation in U.S. or the overall competing crops, it looks like USD0.75-USD0.85 Is a kind of a normal benchmark for the New York futures. If that remains within this range, then the Indian price will be INR64,000-INR66,000 a candy. In Indian scenario, actually the prices can increase. The Indian crop this year is likely to be much

shorter. As per the first survey of Cotton Association of India, they have announced the crop to be in the range of about 28 million- 29 million bales.

As the consumption is not likely to be less than 35 million, 36 million bales. So there is a shortfall of almost like six million to eight million bales in India. Which means the prices in India can be actually tighter going forward, unless the government allows the import of cotton duty-free. Then only the balancing will happen. Otherwise, actually the prices in India can actually go up compared to the world markets.

Soham Samanta: As of now, the duty-free is till December 31, right?

Neeraj Jain: Yeah, but that is theoretical because the government has announced it only on October 31. If you look at the structure of the trade, you want to do a business today for the cotton, you want to buy imported cotton, practically the shipment will not be available before the first week of December. I am talking of Brazilian or Aussie. Majority is crop available as of now is Brazilian or maybe the U.S.

The availability of shipment is not before first week, second week of December. In case it is shipped in the first week of December, the cotton cannot come before December 31 here. Had the government announced this decision about a month back, probably some advantage would have come. Now, people were not very sure whether they will be extended or not.

Practically, the two-month extension, the increase in this duty-free period, I don't think there's likely to be a major improvement or availability of cotton in India in these two months. So for any extension, logically it should be three months so that you get a shipment after one month, and then the shipment from Brazil will take you about anything between 35- 50 days or so. Then only you can get a cotton in a three-month time.

Two months practically, the cotton cannot come to India if you want to. You have booked it earlier, nobody will do that. But if you have booked it earlier, then probably you can get it. Practically a large chunk of cotton coming to India in these two months doesn't look possible to us.

Soham Samanta: Got it. So basically what you are saying that looking at current scenario, yarn prices will going to be in that range bound only, but there is no substantial come down the price at this moment?

Neeraj Jain: No, no. Doesn't look like as of now.

Moderator: Thank you. The next question is from the line of Prabhat Yadav from Navneet Education. Please go ahead.

Prabhat Yadav: Thank you for the opportunity and congratulations on the good set of numbers, sir. So my question is that since you operate across the entire value chain from yarn to garments, our reading suggests that there is underinvestment in the spinning industry.

Many big players are investing in fabric and garment, which will eventually require yarn. Given the geopolitical tensions in Bangladesh, can we say that there is a demand-supply

mismatch in this yarn industry? And is this yarn demand sustainable? What kind of investment will be required to cater this demand?

Neeraj Jain: Definitely there are two things happening. One, as you have mentioned, definitely there are lots of players who have started investing into the textile products, for which they will be requiring good quality yarn. Two, if you recall my earlier couple of calls where I mentioned because the things were not good in India last three years, and practically about 12, 13 million spindles in India have gone out of the system permanently.

Our rated capacity, which used to be about 52, 53 million spindles, today would not be more than 40 million spindles or so. That also has readjusted the demand-supply, and that is one of the reasons why the price improvement has happened, because the supply side has come down.

Definitely, if India is to grow, all these FTAs which the country has done, especially to the Europe, there is likely to be good demand on the garmenting as well as the home textile side in case from India, because now we don't have the duty disadvantage. In case we have to grow, then the country will be requiring good quality of yarn also.

As I mentioned, the one lakh spinner today will require close to about INR800 crores-INR1,000 crores investment. I think it's a substantial investment which should be required on the yarn side in case the country has to grow. But the only challenge would be, unless we have more clarity on the raw material side, the government policies, cotton availability, unless those things happen, the investment in the sector is not coming to the extent which should come.

Prabhat Yadav: Yeah, understood. And my second question will be, what is our current peak revenue potential from our existing spinning capacity, sir?

Neeraj Jain: It's almost completed. We done spinning almost at 100% capacity utilization. There's hardly any unutilized capacity available to us. As not today, I think we -- I mean, historically, last 10, 20, 30 years, we are always running 100% capacity utilization on the spinning side.

Prabhat Yadav: Yeah. Are there any major capex plans for this spinning capacity?

Neeraj Jain: I already mentioned, so one which is announced will be coming in next six months' time, which is about INR500 crores or so. Beyond that, we have lots of plans, but as of now, we haven't announced anything.

Moderator: Thank you. The next question is from the line of Anil Kumar Sharma, an Individual Investor. Please go ahead.

Anil Kumar Sharma: Good afternoon. Sir, my question is regarding Bangladesh. There, as is known that many mills have closed there. First question is regarding how the situation is regarding Bangladesh? How much yarn our company is exporting? As industry-wise, what is the position? Is there any disturbance on their demand side? What are your views on that, please?

Neeraj Jain: Bangladesh, recently there are concerns by the laborers over there for the increase in the wages. This happens every two, three, four years. The last disturbance was somewhere in

2023, where their wages increased to 12,500 Taka, and where the demand was much higher. The BDT12,500 in today's scenario with BDT123 to a dollar comes to about USD100 only. Maybe the people feel this is not the right wages, so that's why there's concern there.

But if you look at this disturbance comes there every two, three, four years, and then eventually they get settled. Somewhere today the demand is for BDT30,000 minimum wage, but I think what our customer tells us, most of them, that it will get settled somewhere maybe about BDT17,000, BDT18,000 or so.

So, of course, there is some disturbance, but if you look at the consumption pattern, the demand pattern, there is no change in that because everyone over there is feeling this is a process and which should or which will get solved too. The overall India's export is about 110 million kg per month.

Out of that, almost 30%, 35% goes to Bangladesh, and almost similar averages, percentages for us as well. So, India is the largest exporter of yarn to Bangladesh, and on the overall demand side, there is absolutely no issues as of now.

Anil Kumar Sharma: Thank you, sir. Thanks. That is special for this. Sir, regarding this, how do you think about the fabric business? It is not doing right now. Although madam has clarified up to some extent, but how you see the future of that, our plants of this fabric side?

Neeraj Jain: You know, whatever view she has given, I think all of us carry the same impression and we have the same views that we went through a tough time for two, three reasons. One, there was uncertainty because of the U.S. tariffs into the Indian segment. What will happen to, because many times this announcement had happened, India will have issue with tariff.

And whenever a customer is sitting outside, they get a little concern on the same because it is not easy to change the supply side on the textile side on an immediate basis. And most of the sampling will happen six months before, nine months before. So probably we missed one of the season, where earlier the duty was put in and later on these uncertainties were there. Two, the business went into a little difficult time for two reasons.

One, we added the new capacity which we could not utilize, so there was some cost increase. Also, as the yarn prices increased, we could not pass it on to the market because the end pricing or the end products were not increasing. And that happens always. This is not something very different. Whenever the yarn prices goes down, the fabric or the garmenting will take a more advantage because they will not reduce the price and vice versa.

So this was again a normal phenomena that the prices of increase in yarn could not be passed onto the market, but I don't feel that there was anything really, really a big issue. Third, we also putting up this, the technical textile product side, which is again taking some time. It's a new business for us, and definitely a new business will take maybe six months to one year time to stabilize.

In the meantime, there will be, because we are learning the business, we'll be doing all the sampling, the utilization will not happen. So there could be some small losses will be coming

in the first year of operation. Having said all these three things, but if you look at our utilizations last three, four months, it started improving. We are confident that maybe next six months' time, the utilization will be far better.

Once we are in a position to utilize the capacities, so the improvement in the businesses start happening. As Sagrika also mentioned, on the technical textile, lots of sampling happens. Two customers have already approved the plant. They have started giving us the orders. They have started reaching almost 35%, 40% capacity utilization. Once we start touching 50%, at least we will be starting the break-even of that plant. We are hopeful next six to eight months' time, this 100% utilization of this plant should also come in.

So as management, I feel, whatever was happening globally and with our expansion plans, those things and the increase in the yarn prices, there were some challenges. But definitely the improvement has started happening, and I look forward that we'll be doing far better in next six to nine months' time on the fabric side as well.

Moderator: Thank you. The next question is from the line of Aradhana Jain from 360 ONE Capital. Please go ahead.

Aradhana Jain: Hi, sir. Just a couple of questions. Wanted to understand a little more from a longer-term perspective that what is the sort of revenue growth that you are expecting over the next, say, three to five year period, and what would be the growth drivers for that?

And in terms of margins also, where do you see your margins to be at a steady state level once we have all the modernization-related and fabric expansion in place with steady capacity utilization levels? And when can we expect the high single-digit ROE, ROCE profile of yours to move more towards the low to mid double-digit number? That's my first question.

Neeraj Jain: It's not one question, Aradhana, many of them. Anyway, I'll try to answer all of them. First of all, if we go by our historical thought process about seven, eight years back, 10 years back, our thought was that the EBITDA margin will always. I mean, we were given the guidance that it will be between 18%-22%.

But in between, after COVID, things were very, very difficult, different, and the raw material prices also increased to an extent. At that stage, the cotton prices were about INR34,000, INR35,000 a candy, which increased to practically INR65,000. That means if you are earning X percentage in a yarn business, you'll have to double it in absolute value to get the same percentage, which is never possible kind of a thing.

Practically, my thoughts today that the long-term guidance like to give maybe, if we are between 16%-20%, it should be a good number as a EBITDA percentage in case we are in a position to get there. And it should be possible with all the development we are doing on the fabric side and all the improvement we are doing maybe on a sustainable power, the renewable power, and other kind of things.

So our thought process would be that our long-term thoughts should be 16%-20% guidance on the EBITDA number. Normally, if we look at any 10 years period score, our revenue growth

will be in the range of about 6%-7%. Of course, there are periods when we have put up a larger plant, and then next three, four, five years, we have just consolidated it, looking at the situation or the opportunities in the country and outside. I still believe 5%-6% or 5%-8% kind of a CAGR could be the best-case scenario for us.

Now, the base of the organization has become bigger now, and with a INR10,000 crores, INR12,000 crores company, the 10% growth would mean we're talking of a INR1,000 crores investment on an every year basis. And our capital employed to turnover is practically less than one is to one. So, we're talking of almost like INR1,500 crores kind of investment.

Out of that, INR500 crores, in any case, we are doing as a modernization, which will not give you any top-line growth, but it is necessary to maintain the quality of the products as well as to retain the customer. In my view, in case we are in a position to grow between 5%-8% on a longer-term basis.

Second, if you look at our growth history, whenever we have taken a new piece of land, suddenly for next five, seven years, there is always a growth happening. The biggest growth for Vardhman was between the period 2005 to 2015, where we have taken up the two big projects, one at Ludhiana, second at Satlapur. There was a lot of expansion happened in those 10 years' time, and then after that, we have just consolidated into that.

Now, we have taken this new piece of land in Madhya Pradesh, PM MITRA Park, and I feel once the land is available to us, probably once we first put up the one project and once we have settled down, probably the confidence and the culture is built up out there in that location, probably the growth can be much bigger. Whereas any greenfield project with a small capacity will never been in a position to allow us to make money.

Eventually, the major growth as of now can come from that location only because the other locations are full. It is only once we get a piece of land, we put up one single project, we settle over there, and then after that, the expansion plan could be really, really fast. It is not only the spinning and the weaving, there are other segments also we are looking at.

Of course, there is no reason happened as of now, but definitely there are a few ideas in our mind where the growth could happen from that also. The third part you mentioned about the ROCE. I think it is again a factor of we have a very large book of investment in our balance sheet, which is accumulated over a period of time because we were not growing at a bigger rate, was one of the other reason.

But I think once we start growing bigger rate, probably our debt equity goes to a better level, which is practically zero as of now. So from the financial structuring, I would say we are a little inefficient. But once we start investing and we use this cash on a productive basis, actually my feeling is that the ROCE or the return on investment or the PAT percentage will start improving.

Aradhana Jain: Understood, sir. That is very helpful. My second question is on garmenting. While it is a very small part of our business right now, but if you could throw some light on what is the development right now, and in the near-term or medium-term perspective, where do we see

that business growing to? The third question that I had is on the cotton inventory. If you could also highlight what is the sort of cotton inventory levels that we are maintaining right now?

Neeraj Jain: Okay. On the garmenting side, this business was started in 2011, and for almost 15 years, we were just maintaining the business. We were not very sure what to do with this business, whether it should grow or not, and business was really difficult for us to maintain, manage in a very small capacity. But I think last few quarters, the business has done good in terms of the overall quality of customers, the product, and those kind of things.

As a large organization, I think it's a decision where we have to decide whether we should continue in this business or we should stop this business. The thought process was once we have started learning this business, the business looks good, and it gives us an advantage in terms of a forward integration going forward once the capacity is bigger.

Today, this business is close to about 7,000 shirts per day, and in terms of the top line, close to about INR150 crores or so. The first step we have taken, the existing location, we are doubling the capacity. It's after 15 years, we have this confidence, the business is doing good, both in terms of the customers as well as the profitability. As a first step, we are expanding this business.

But this is the maximum possible in this location, and my belief, if the business does well, they are in a position to generate numbers and the confidence of the management, probably we'll have to look at some different site, maybe somewhere either in the central India or maybe the east India, where the labor availability and the cost could be lower. But those are, there's no decision as of now.

The first step we have taken, let's expand this business to double, do some modernization, do some automation in this business, and at least from a 7%, 8% EBITDA, try to come to about 13%, 14% EBITDA on a sales, but on a capital employed will be much, much higher. I can only say the first baby step in a positive side is that we're expanding this business, doubling this capacity.

Depending upon the success of the business, I'm sure we will definitely look at how do we grow this business because eventually with a INR10,000 crores, INR12,000 crores, INR13,000 crores, INR14,000 crores company, this INR100 crores, INR200 crores business will not make sense to us. My belief is now up to the business to show that success, and I'm sure the growth will happen into that business also.

The third question you asked about the inventory. Practically, if you look at the cotton season in India, it starts somewhere in the month of October, November. Most companies, the inventory will not be there as of now. Yes, the import we keep on importing whole of the year, which is a kind of a cycle. We always have a two, three, four months of cotton depending upon.

So exact, I'm not in a position to share as of now. But generally, the imported inventory at any stage could be between 3 to 4 months' time for various organizations. But as far as the Indian

cotton is concerned, I think it's the starting of the season, and we have just started buying, and we have to build up that inventory.

Aradhana Jain: Understood. Sir, the last question from my end. A lot of the yarn realization increase that happened over 1Q or 2Q was to do with a lot of the demand coming from China. Sir, how are you looking at that at the moment? Has the Chinese demand reduced since the last couple of weeks or months? Going forward, do you expect that kind of demand to continue?

If you could also highlight what had led to the Chinese demand suddenly increasing from, say, last year, November, December. Yeah, so broadly, that's my question on the yarn realization. Just to understand that, as you said, you expect the yarn prices to remain a little range-bound. Going forward, what possible triggers could be there for the yarn prices to again inch up?

Neeraj Jain: Okay. The yarn prices started increasing somewhere in last year, November, December, where the demand from the Chinese picked in. My belief that the garment export from China has not come down. Practically, earlier people were talking of China plus one or whatever they were talking about, but eventually the growth or the overall export from China has not come down.

At the same time, also let's look at the local Chinese cotton available in China. One, the prices of local Chinese cotton is very high, still in the range of about USD1 or so. Two, where 80% local cotton is, it comes from Xinjiang area. Xinjiang cotton is banned by U.S.A. and many other countries.

Whenever the Chinese garmenter was buying the local yarn or the fabric, many a times there are lots of DNA test fails which happen in U.S. port where the cotton was the local Xinjiang cotton. It looks like the brands have advised, because nobody speaks openly on these issues, but practically it looks like either the brands advised or the garment manufacturers decided that when I'm in a position to get the yarn at a competitive prices from outside, maybe from India.

Why I'm taking that risk of buying from the local Chinese market where you're still not sure which cotton they are, the spinner is using in China. They start buying yarn from India, which will never be made out of the Chinese cotton probably, that risk come down. In any case, from the cost perspective, we were competitive.

Because there the cotton prices are still higher compared to India or to any other country as of now also. Two, the demand from China continues as of now, and whatever they were buying about 20 million kg, 20 million kg-25 million kg from India, that continues. As of now, there doesn't seem to be any negative trigger that they'll not be buying.

Of course, the second where the yarn prices increased was also the cost push. In case the cotton increases or reduces, that's another trigger where the prices could go up or can come down, which happened in last three to six months' time. But practically, as of now, going by the range bound price of New York futures and the yarn prices, it looks like more of a stable business as of now in terms of the yarn pricing compared to the situation.

Because earlier, a year back, it was a desperate pricing. People were not making money, they were losing money. So practically, till how long someone will lose? As soon as we lost the

capacity, as I mentioned earlier, 10-12 million spindles, the balancing started happening. Today, we are more balanced, the reasonable profitability on our new cotton prices.

If I look at the today's cotton prices, New York futures, today's yarn prices, it will give you a conversion cost of about USD0.70-USD0.90, which is normal. As always, we are talking about USD1 is a very, very good conversion, and about USD0.80-USD0.85 to USD0.90 is a decent or a reasonable conversion.

Last year, this conversion had come down USD0.60 for Indian market. That's where this desperation had come. With the USD0.80-USD0.85, USD0.90 kind of a conversion, it looks like this can sustain or maintain for a longer period of time.

Moderator: Thank you. The next question is from the line of Amit Kumar from Determinant Industries. Please go ahead.

Amit Kumar: Yes, thank you so much. On the yarn side, you already mentioned that capacity utilization was almost 100%. Just want to get a sense on the fabric side, where do we stand presently? The second question on the fabric side itself, what is the peak level of, with the current capacity and utilization that we have, assuming that also inches up over a period of time, what is the kind of peak revenue that we can expect there?

Sagrika Vir: So -- yes, I will take it up. So if we currently, there is definitely an improvement in utilization. We are at around 80% utilization right now. In quarter 2, it was slightly less, so maybe around 70%-75%. We have definitely seen an improvement quarter 2 versus currently.

Please also note that, had we not expanded capacity, we would have been 100% utilized. This 70% in quarter 2 and currently 80% utilization is with increase in capacity. You can expect that in a few quarters, we expect to be fully utilized. It will further increase from say 80% to 90%-95%.

Amit Kumar: What is the peak level of revenue that we are, sort of on current capacity basis, what is the peak level of revenue that we are expecting?

Sagrika Vir: You can do the math. You can expect an increase in at least 15%. We do not openly share the different segment revenue, so ballpark.

Amit Kumar: No, but 75% Going to 95%, that will be about a 25% potential increase in revenue, right?

Sagrika Vir: Currently, we are at 80%.

Amit Kumar: Yeah, I am sort of using second quarter as the base, so 75% to about 95%, that will probably be sort of 25% sort of increase in terms of...

Sagrika Vir: In a few quarters, not at the moment.

Amit Kumar: Fair enough. Fair enough. That is perfectly fine. My second point was, I have asked this question in the past also. I mean, on an India capacity, 40 million spindles, we are at 1.25 plus,

so that is just about a 6%, 7% market share. Business is big in value terms, I mean, billion-dollar business.

But when you look at it from a market share perspective, we are still, I mean, 10% should definitely be there on the cards at some point of time. You are saying that the MP expansion is delayed because of land issues. I mean, how are you thinking about M&A in this business?

There are couple of smaller companies on the listed side also, and I am sure a whole bunch on the unlisted side as well. So, how are you thinking of M&A in this business? I mean, 6.5%, 7% kind of market share, that is with all the consolidation that you are saying has already happened over the last

Neeraj Jain: That is true.

Amit Kumar: few years, many years. But-

Neeraj Jain: Yeah, yeah. The point is...

Amit Kumar: It has to be there for the taking for a company of our caliber and pedigree?

Neeraj Jain: The point is very well taken, and it is a valid point. The only concern I have as Richard today in my mind or as a company, that we are still not clear on the raw material pricing by the government, as a policy by the government. Our demand to the industry, demand of the industry to the government is that you should allow the duty-free import in India, so that if there is no raw material available, at least you should get it at right pricing.

We must understand that on one hand, there is a 6%-7% increase in MSP happening on a every year basis. If the New York futures also increases, to some extent, we can mitigate it. But if that does not happen, and Indian cotton keeps increasing, it is going to be very difficult for Indian spinning industry to survive.

Practically, all this consolidation happened not because of any by choice, but it was by default that these people started losing money, and they were out of this business. To me, if I look at the risk or why we are not expanding that aggressively, the only question I have in mind is what is the raw material thought process or availability at international competitive prices to the Indian spinning mills in the times to come?

My belief personally, if you ask me, in case the government clears it or the duty-free import is allowed or it is all free trade, practically I feel India will start improving on the spinning capacity, and once that clarity is there, we can expand much faster than others.

But the unfortunate part is without knowing what will happen, whether you get a two-month window, you get a three-month window, with this kind of a scenario, whether you should really take a very big call and then tomorrow start dealing with what's happening here and there.

I think that's the only question as management which is there in our mind, but yes, opportunity is there, especially with all these FTAs and all these opportunities which are looking nice,

there's a great opportunity available to my mind. My only concern on a policy level is the raw material availability, how will that be ensured? Once we are clear on that, probably we could take a much bigger call as well.

Amit Kumar: Understood. Of course, I mean, last six months should not be sort of used as the benchmark, but even otherwise, if you look at our scale of operations, and I know analysts have had a few questions on that also, that from a 15%-20% ROE business has gone down to more like a 11%-12% ROE business. But that's also still reasonably good.

And compared to a small player, definitely scale advantage, the operational advantages, sourcing, etcetera, that we have are definitely significantly bigger. And my sort of question was more from a next 12-month perspective also that if the MP expansion, if you're saying land itself is delayed by eight, nine months, so let's say you get land in nine months, putting up a new large-scale INR1,000 crores expansion is going to take a year at least.

So we are talking two years. So in the next two years, organically, expansion is not very possible, aside from the replacement and upgrade which is possible. So in the interim, do we have sort of any very clear M&A and inorganic consolidation plans is what I was looking for?

Neeraj Jain: So, first of all, the one plant which is already under construction for us, this will give us about 8% organic growth as well, 8% in terms of which will be available to us in next five, six months.

Amit Kumar: 500 tons or something that you...

Neeraj Jain: 50 tons per day on a base of 700. That's one. We are open to these ideas, but for a very small, consolidation or M&A of a small organization will not make sense to us. But yes, any option comes to us, we look at it carefully. I think most of the companies which are available for sale today are in such a bad condition or the machine park or the culture part is so bad that it is very, very difficult to revamp those kind of organizations.

Recently also I visited two or three smaller organizations, but the amount of effort required to pull it up looks very, very difficult because by the time you want to come to selling of a company, probably everything has been taken out of the company. Though we keep visiting, we keep looking at, we keep understanding, and I am still open to that. But unless we get something meaningful only for a six, eight months of desperation, probably for us to take a call will be a very difficult thing too.

From the Vardhman perspective, our thoughts for the last 10 years has been India has to consolidate in terms of the size of the factories. If you look at the Indian capacities today, we were 51, 52 million spindles, total 3,000 factories. The average Indian spinning industry was 17,000 spindles only. The 12 million which have gone out of the system, the 1,000 factories have gone out. 1,000 factory on a 12 million spindle means the average size has gone to, which has been stopped, is about 12,000 spindles.

The remaining factories, 2,000 on a 40, 41 million spindles is still only about 20,000 spindles per factory, which is too less. Most of the organization you get it, you are getting it either a

smaller size or in the states where you are not operating or with a culture which is not suitable to you or one or the other reason. Practically for us, the kind of culture, the kind of thoughts we have, the long-term 10, 20, 30 years to run an organization, it looks like the organic growth is the only choice as of now.

Of course, financially it can make lots of sense and you organically grow, and we are open to the idea. But frankly, last five years, I could not find anything which was really, really worthwhile for us to look at that.

Moderator: Thank you. The next question is from the line of Sandeep Garg, an Individual Investor. Please go ahead.

Sandeep Garg: Good evening, sir. I have a couple of questions. The first is on the cotton yarn spread. How is it today vis-a-vis Q2?

Neeraj Jain: The cotton yarn spread is always looked at from the current prices of cotton and the current prices of yarn. Practically, there is no gap with the current prices of cotton, current prices of yarn. The spread is almost comparable to the second quarter.

Sandeep Garg: Okay, so more or less the same?

Neeraj Jain: Yeah, the only difference could be that what cotton a factory is using. So if you have an old inventory which is cheaper or expensive, that can make a difference in the profitability. But on the current prices of cotton and the current prices of yarn, both second and third quarter is comparable.

Sandeep Garg: Right. Secondly, sir, the capex that we have done on modernization as well as on the renewable energy projects, what kind of benefit are we expecting from that in terms of cost saving and therefore margin improvement? And how much of that has already come in, and how much do you expect to come in over the next one year?

Neeraj Jain: On the modernization, it happens on two, three factors. One is the quality improvement, where practically you will not get any financial benefit, but it is only to sustain or maintain the customer, you have to modernize.

Second is maybe some utility improvement or some worker reduction or some improvement or a productivity increase happen, which is already completed. So to that extent, the entire thing has already happened, and we are taking full advantage of that as of now also.

On the renewable power, we are expanding or we are spending in a big way from the last two years. And already, to my mind, whatever decisions we have taken till now, almost 40%, 50% of that has been completed, where the advantage has started coming in. Most of that, the remaining 50% will be applicable or will be available in next three to four months' time with us.

Sandeep Garg: Can you translate that into improvement in margin? What kind of margin improvement you have already seen because of this?

Neeraj Jain: Normally, when you do there are two major initiative or projects which most of the organizations will be taking. You have the solar power available to you on your rooftop, where the practical cost of operation for the electricity will become zero. That was done by us much before, two years back, so there is no more benefit on that to that extent.

What the other projects are that you are going in for a third-party improvement or operation, where you are putting up the solar or the wind at a distant location, and you take that power. Most of the industry is running where the advantages of power will be about INR1-INR1.5 edge. Whatever consumption you have, you will get about INR1-INR1.5 advantage in that.

Third is we are going in for the biomass boilers, where there could be definitely again, it was more from the customer's perspective. We wanted to have the green power because we were using coal, which is not liked by the many European or American customers. They were suggesting us to replace that, which is happening.

It is both in terms of the greener power as well as on the financial numbers, where the advantage definitely will come in next four months' time. Practically, the cost of generation for us or the cost of consumption of power, there should be whatever we are doing should be a reduction of about INR1, INR1.5 the unit.

Sandeep Garg: Okay. Secondly, on the fabric side, as you mentioned that it takes some time for you to pass on the yarn prices to the final customer. How much of that has already happened, and how much of that is still pending, and what kind of timeframe are you looking at in terms of passing the entire increase in yarn cost to the customer?

Neeraj Jain: You have to look at it in a different way. If you look at any product, on an existing product where a retail price is decided by a brand, the retail price will never change unless there is a dramatic improvement or reduction of the prices of input materials.

Practically, a garment which is sold by a brand in a store, the price will practically never change that. It is only that they will either tweak the products or they will look at the new products where they start passing on the price increase to you. Practically, on the existing businesses, it will never be increasing.

But yes, since the cost will be increasing, most brands will start looking at, "Oh, instead of X quality, why don't we work on the Y?" Technically, if you ask me, any price increase on an existing product line is practically not possible ever. It is only the tweaking of product where they will keep doing it 10%, 20% every year, every product.

That is how this increase will happen in 3 to 4 years' time. So wherever the new products launches are there, probably practically they are getting it. But on the existing product line, I don't think it is possible to get an increase there.

Sandeep Garg: Okay. Lastly, sir, on the expansion, you mentioned that there is some delay in obtaining the land from the government. I understand that the other company that you have in your geography, Trident, they have announced a large expansion in their capacity. Is it on the same piece of land where you are also getting the land?

Neeraj Jain: I can't comment. They have also taken the piece of land in the same area where we have taken. I'm not very sure whether all the announcement they have announced is for the PM MITRA Park, or they have some existing land banks as well in the existing locations or on that location. I can't really comment on that. But yes, we have taken...

Sandeep Garg: On both Budhni as well as Dhar.

Neeraj Jain: Yeah. Dhar, they and we are on the same platform. The land development and those things, in fact, both of us are talking to the government together for the development of land. That would be the same times as ours. But yes, if they have available land in Budhni, they can definitely do that.

Moderator: Thank you. That was the last question for today. I now hand the conference over to Ms. Sagrika ma'am for closing remarks.

Sagrika Vir: Thank you. To conclude, our quarter 2 reflected improved performance given by yarn business, as we saw demand surge and even cotton price hike pulled up yarn prices, which was much awaited since yarn prices had been subdued for at least two years. And now the business has picked up.

With improvement in the U.S. political sentiment, we look forward to an improved demand in fabric business as well. As an organization, our focus will continue to drive operational efficiencies, customer-centric execution and approach, and premiumization of our portfolio. Thank you for joining the call, and wishing you and your families a very happy Diwali.

Moderator: Thank you. On behalf of 360 ONE Capital Markets, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.