

SWARAJ SUITING LIMITED

CIN-L18101RJ2003PLC018359

Email ID – cs@swarajsuiting.com, Phone No.-09414112677

Website- www.swarajsuiting.com

Date: 25/11/2024

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

Company Symbol: **SWARAJ**

Series: **SM**

ISIN: **INE0GMR01016**

Dear Sir/Madam,

Sub.: Transcript of the H1 FY25 Post Earnings Conference Call held on November 18, 2024

In continuation of our letter dated November 07, 2024, November 18, 2024 and pursuant to Regulation 30 & 46 of SEBI (Listing Obligations and Disclosure Requirement), Regulation, 2015, the transcript of the H1 FY25 Post Earnings Conference Call held on November 18, 2024 is attached and also available on the Company's website at <https://www.swarajsuiting.com/investor-meet-update>.

Kindly take the same on record.

Thanking You,

Yours Faithfully,

For Swaraj Suiting Limited

Rahul Kumar Verma
Company Secretary and
Compliance Officer

Encl.: as above



SWARAJ SUITING

Weaving The Future

SWARAJ SUITING LIMITED

H1 FY25

POST EARNINGS CONFERENCE CALL

November 18, 2024 01:00 PM IST

Management Team

Mr. Nasir Khan - Whole Time Director

Call Coordinator



Strategy & Investor Relations Consulting

Presentation

Vinay Pandit:

Ladies and gentlemen, I welcome you all to the H1 FY25 post-earnings conference call of Swaraj Suiting Limited. Today on the call from the management we have with us Mr. Nasir Khan, Whole-Time Director and part of the promoter group.

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

Also, a reminder that this call is being recorded. I would now request the management to quickly run us through the presentation for the quarter, giving us a brief on the business and performance highlights for the quarter that went by, the growth plan and vision for the coming year, post which we will open the floor for Q&A. Over to you, Nasir.

Nasir Khan:

Good afternoon, everyone. And I hope all of you had a chance to look at our investor presentation that is uploaded on the company's website as well as the stock exchanges. But I will just run through the presentation again for a brief introduction of the company.

So, can you please move to the brief slide of the company? Basically, Swaraj Suiting Limited was incorporated in 2003 as a trading mill, which is now a composite textile manufacturing company with focus on manufacturing denim and cotton fabrics. And we have a spinning mill, we have a grey fabric manufacturing mill, we have a yarn dyeing mill, and we have a process house for cotton and denim fabrics.

So I will give you a brief introduction. Firstly, I am glad to announce that the company has commenced the following plants, which were announced in advance. So the denim division expansion, which was previously, which we had a capacity of around 15 lakh meters per month, has now been increased to 21 lakh meters per month. And the grey fabric expansion, which was around 13 million meters per year has now been enhanced by 7.5 lakh meters per month, which will help the company reduce its dependency on outsourcing of grey fabric. And the cotton fabric division, which was soon to be started in October, has now commenced, and it is slowly stabilizing now.

So, I will tell you about the results that we just came out with, a brief financial highlight. The company has recorded highest ever half-yearly revenue of INR 163.86 crores during the quarter, showing an increase of 13% on a YOY basis. EBITDA for the half-yearly stood at

around INR 24.85 crores as compared to INR 15.90 crores in HYFY24, showing an increase of around 56.30% on a YOY basis. EBITDA margin for half-yearly is around 15.4%, that's against H1 FY24 margins of 11.1%. Half-yearly profit after tax is INR 9.85 crores against INR 5.49 crores in H1 FY24. That is a YOY increase of 79.50%. EPS for the half-yearly is INR 5.26 per share against INR 2.49 per share in H1 FY24.

Can we please again go to the slide in which we started the plat? Yes. So, for the company from 25th July, the main advantage that we have from the denim division and the grey fabric division will be in the utility costing which will be reduced drastically by 25%, which will help us in obtaining better margins. And the cotton fabric division will help us cater to our existing customers who are in demand for cotton fabrics because the customer base for denim and cotton fabric is similar. So we can now cater to the same customers with multiple products which will increase our customer base. We have already increased our customer base from 80 to 100 customers to 150 customers globally & India both combined and we have increased our export sales also, which was a total of around INR 5 crores last year, we have increased our export sales to around INR 15-20 crores in this half-yearly revenue.

If I talk about the market conditions in H1 of FY25, the markets were a little tight in the textile industry in H1 FY25. The stocks levels were a little high, the payment cycles were a little delayed. But now the markets are improving and both the exports and the domestic markets, because of the festival season and H2 is usually higher in the textile industry, has picked up demand now in the payment cycle and the dispatch cycles have also increased and the stock levels are coming down now.

The company has achieved the following certification or is in the process of achieving the following certifications in this half-yearly. The first one being BCI, Better Cotton Initiative, which is a membership. The company has achieved GOTS, Global Organic Textile Standards, Global Recycling Standards, Organic Chemical Standards, ISO 9001, ISO 45000, ISO 14000, SA 8000 and Oeko-Tex 100. The company has achieved the following certifications, which will help the company to cater to bigger brands like Walmart or bigger brands like Levi's globally with the following certifications. We are among the only a few companies in India with these many certifications to give to the customer.

In this process setup, the cotton process was started in October 2024 and it is at a utilization level of around 40% right now because it started last month and every month we are increasing capacity. The denim and the grey fabric division is now running at 85% utilization stably because it was starting on 25th July 2024.

I would like to open for the Q&A session now, please.

Question-and-Answer Session

Moderator: Sure. We take the first question from Swarnashish. Swarnashish, you can go ahead.

Swarnashish: Hi, sir. I have a few questions. The first question is how much subsidy have we received in the first half and how much is expected in the second half?

Nasir Khan: The subsidies that we received in the first half was around INR 3 crores from the central government that was used to repay the term loans. And the second was the EPCG, GST refund of around INR 7 crores that we have received. In the second half, we are targeting because the plant was commissioned on 25 July and the megaproject according to the MP government was completed on 25 July, when our plant started, so the subsidy was released after that. In the next half we are targeting around 15 crores of subsidy to be released in way of interest subsidy, electricity subsidy and capital subsidy.

Swarnashish: Okay, sir. So, each one around we have INR 10 crore benefit that is reflected in PBT, right?

Nasir Khan: No. Basically, capital subsidy is being adjusted in the balance sheet.

Swarnashish: That is the INR 3 crore amount?

Nasir Khan: Yes, INR 3 crore, we have reduced the term loan with that.

Swarnashish: Okay. But the INR 7 crore is reflected in the PBT.

Nasir Khan: No. The INR 7 crore is being adjusted in the GST refund amount. It is in the balance sheet only. The PBT amount is only from the business.

Swarnashish: So, both amount is in the balance sheet only?

Nasir Khan: Yes.

Swarnashish: And sir, by this year, our CapEx will be completed. So, next year, if I assume around INR 250 to INR 260. Sir I'm saying if we commission all of our CapEx this year then next year if I assume around INR 250, INR 260 of realization per month, we can do around INR 1000 crore plus revenue. Is my calculation correct?

Nasir Khan: On the total utilization, we can do INR 1000 crores of revenue because we have a total manufacturing capacity of around 40 lakh meters of finished fabric per month. 20 lakh meters of around cotton fabric and 21 lakh meters of denim fabric. The average realization of Swaraj right now is around INR 210 to INR 215 per meter. But from INR 210 to INR 215, we have started increasing the realization also. So, INR 1,000 crores of revenue is achievable from the existing plant. The yarn plant will be catering to the in-house use. That will be increasing our margins.

Swarnashish: Yes, sir. And sir, if I see, before COVID, we had a high margin. Then during COVID, our margin reduced. Now we are inching up the margin again. So how do you see the margin in future? I mean, I understand the upward integration will improve it. But I am saying about demand supply mismatch, something like that. Can our margin be impacted?

Nasir Khan: So what happened before COVID was, we were basically into job-work manufacturing. On job-work manufacturing, there are usually higher margins because the revenue is very low. Because we charge for services on job-work basis. We used to work on job-work basis with the brands. If you have read our profile, there was a sudden increase of our revenue from INR 60 crores to INR 130 crores in a particular year. Here, our margins in absolute terms were increased but in terms of percentage were decreased.

So that was because from job-work basis, we transferred from grey fabric to grey(griege) fabric manufacturing. So in job-work basis, the margins are usually high because the revenue is very low. We only charge for service charges. And right now, what is happening is we are composite mill. Now, we have our own yarn dyeing division. We have our own weaving divisions. We have our own process houses. Now, we will be having our own yarn divisions. And along with that, we have installed the best-in-class machinery to reduce the utility costs that are helping us increase our margins day-by-day along with the developments and the R&D team and the developments that we are doing daily. That is helping us increase the margins day-by-day.

Swarnashish: Sir, I am asking if there is some oversupply in our industry. If the realization because of some oversupply or demand mismatch scenario, if the realization goes down, can our margin be impacted? Or if there is a cotton price increase, is it pass through?

Nasir Khan: So basically, we work on make-to-order basis. So we pass on the prices. If there is a sudden fluctuation of more than 5% to 10% in cotton prices like COVID times, there will be, of course, an impact on the margins. But if there is a minimum impact on the cotton prices, a reasonable margin that we take in the costing of the fabric, there will be no impact on our margins.

And secondly, the type of products that we supply, so, basically, we being such a young company right now have joined our hands with brands like Walmart. We are in talks with Primark also. We are in talks with big, big brands right now even after being such a young company. The main reason of that is because our R&D team is working tirelessly It has been 6 months since we have started working on cotton fabric. And we have developed more than 400 different types of samples in that too. So that is the main reason that our margins are intact. If we talk about a normal textile which is not focused on development and which is focused on manufacturing quantity and quantity, the margins are impacted by the fluctuations in yarn even if it's by 1% or 2%. Along with that, if they keep making the same products, the margins are not intact. To keep our margins secure, we keep on swapping products. We don't keep on pulling the same product again and again.

Swarnashish: Thank you, sir. My last question is, we had a guidance of 100% sales growth this year. In the first half, we were a little bit short. So would you like to revise your guidance or...?

Nasir Khan: Basically, we were not short in the first half. Our plant capacity was increased in the last month of the first half. So, you will see that our YOY growth in revenue from INR 141 crores to INR 165 crores was due to the new plant that became operational. And H1 is usually slow. You will see that in the last year too. Now our capacity is more than double and we have the order book for it. So, I am very confident about achieving the revenues. And we are already doing the revenues after H1, because our plant is now fully operational.

Swarnashish: Thank you, sir. Thank you so much. I will get back in the queue.

Moderator: Thanks. We will take the next question from Aman Shevare. Aman, please go ahead.

Aman Shevare: Hello.

Moderator: Hello. Aman, can you unmute and ask your question, Aman?

Aman Shevare: Excuse me. Are you able to hear me now?

Moderator: Yes.

Aman Shevare: Thank you, Nasirji. So, a quick question from my end. Yesterday or a few days before, there was a notification from the Ministry of Commerce regarding the impact of the Bangladesh situation currently and the benefit of it on the Indian textile industry, mostly for apparels manufacturers. So I wanted to understand if it would impact us positively given that we have -- since we belong to the Indian textile industry, but we have a strong supply chain demand in Bangladesh. So I was a bit confused as to how it would impact us.

Nasir Khan: So currently we have around 80% revenue from is domestic. And domestically also, we work with brands like Spiker, Mufti, brands already work with us. So, even if the domestic demand is starting to increase rapidly from H2 right now and the dispatches are very good right now. So even if the supply of Bangladesh is low, we have a good demand in India and the products that we develop are very accepted. They are very accepted in the market. So it won't have a negative impact on our balance sheets or our revenues. We will still develop and we will still supply to good brands. And we will have our margins intact.

So we have started increasing our margin. We have started increasing our quantities with Reliance also right now.

Aman Shevare: Understood, Nasirji. So as I understand, it would impact positively in leading to our growth development from our domestic sector.

Nasir Khan: Domestic market only. So it won't have a big impact on us.

Aman Shevare: Understood. A follow-up question, Nasirji. So from the balance sheet statement, I noticed that the cash generated from operations realized this year was considerably different from previous year. So it was 725 this month and previously it was 4,634. So, is there any comment that you would like to add on this?

Nasir Khan: The cash generated from business operations basically, what happened this time was that the operations that we have and the cost of producing goods was relatively lower. That helped us increase our margin. The costing on the purchase of yarn was lower than we expected and that was the reason our margin increased. And that increased our cash generation.

Aman Shevare: Okay. But this one, for this year, we have it on the lower end on 725.

Nasir Khan: So basically, the main reason for the cash generation was that the markets increased, our stock levels increased, our cash generation increased. But our plants were also delayed. Our plans that were supposed to come in March and April started in July. So, because of that, our losses increased in-house. That also had an impact. But overall, our cost of goods sold, the COGS, was less. So our margins increased. So overall, because of the plant delay, our losses increased. But this was compared.

Aman Shevare: Understood, Nasirji. Final question from my end. Just a follow-up on the revenue guidance. So as you mentioned that we have now increased our capacity to almost twice. And as well as we have the order book for it. So as I understand, we still stand strong on the INR 600 crore guidance. So on that note, then we would need to target around INR 450 crores approximately sales in the next quarter. So, if you could please help me understand the breakdown of those sales. Like, how much are we targeting from export? How much would it be from domestic or branded players and job work? If you can give a bifurcation on that, that would be really helpful, please.

Nasir Khan: So the cotton fabric divisions, if I talk about the H2, our cotton fabric division will be targeting a revenue of around INR 150 crores. Our cotton fabric division will make cotton fabric. Our denim division, because the stocks that have been piled up in H1, along with the production that we will be doing in H2, will generate a revenue of around INR 210 crores, INR220 crores. And the rest of the revenues will be generated from yarn and job work basis and some trading.

Aman Shevare: Understood, Nasirji. So we also noted that you mentioned we will be targeting around INR100 crore to INR 150 crore export revenue this year. So, are we still on track to achieve that revenue?

Nasir Khan: So, in the last half year, we achieved around INR 15 crores of revenue from exports. So, around 10% to 15% of our revenues from export.

Now our export orders have increased and along with that, domestic orders have also increased. So, depending on the margins, if we have better margins domestically, we will go for domestic brands. If we have better margins in exports, but we have the order book for exports also right now. So there is no problem in exports.

And we also got the certifications in hand right now of BSI and ISO, ISOs and GOTS and all. So we have better market capturing for brands in exports also. So we are targeting, we can achieve this revenue of export if we want to. But it depends on the margins, where we get better margins.

Aman Shevare: Understood, Nasirji. Thank you.

Moderator: Thank you. We will take the next question from Sринi M. Sринi, you want to go ahead and ask your questions?

Sринi: He already answered my question in the guidance part, I want to ask. But he already answered. Thank you.

Nasir Khan: Okay, sure.

Moderator: Anybody else who wishes to ask a question, we will take the next question from Amit Agicha. Please go ahead.

Amit Agicha: Good afternoon, sir. Am I audible?

Nasir Khan: Yes, Amitji.

Amit Agicha: Thank you, sir, for giving me the opportunity and congratulations for good set of numbers. So my question was with respect to the order book size, I wanted the number?

Nasir Khan: The order book number, right? So, the denim order book was -- so historically I have told you the order book for denim has always remained for 25 lakh meters, 30 lakh meters. And we have kept it at that level because our capacity is not more than 21 lakh meters of denim. And if I talk about cotton order books, so basically we started manufacturing cotton fabrics and developing cotton fabrics even before the plant started, 6 months before, 5, months 6 months before. We used to do that in a very small quantity and we used to do weaving in-house but we used to do process outsource.

But we started developing developments and started supplying 1 or 2 lakh, minimum meters of fabric to customers. So currently we have an order book for cotton fabrics of around 15 lakh meters which is rapidly increasing now because our plant has just started.

Amit Agicha: Sir, is it possible to give the order book in exports and domestic segregation?

Nasir Khan: So, in exports right now we have an order book of around INR 21 crores in exports. In exports, cotton and denim fabrics both are mixed.

Amit Agicha: Okay, and domestic?

Nasir Khan: Domestic, the rest of the order books are basically, you assume the rest of the order book -- it's around INR80 crores to 90 crores is around domestic.

Amit Agicha: Thank you, sir. That was a helpful answer. I had requested earlier also to the IR for a personal meet. Is it possible?

Nasir Khan: Sure, Vinayji will organize that.

Amit Agicha: I'll send the email.

Nasir Khan: Yes, sure.

Amit Agicha: Thank you. All the best.

Moderator: We'll take a follow-up question from Swarnashish. Swarnashish, you can go ahead.

Swarnashish: Hi, sir. Thank you for the opportunity. So to your earlier participant, you have given H2 revenue breakup. So revenue from yarn is also included. That was mainly for captive consumption, right?

Nasir Khan: Revenue from yarn, for H2 you are talking about, right?

Swarnashish: Yes, yes, sir.

Nasir Khan: For the H2 upcoming. So I talked about around INR 40 crores to INR 50 crores of revenue from yarn plus trading. So, very minimal revenue is there?

Swarnashish: Okay, okay. Thank you, sir. I'll get back in the queue.

Moderator: Thanks, Swarnashish. We'll take the next question from Ayesha. Ayesha, you can go ahead, please.

Ayesha: Hello, good afternoon.

Nasir Khan: Good afternoon.

Ayesha: Sir, along with margins, revenue for H1 FY25 was soft comparing to H2 FY24. Can you provide more insights on this?

Nasir Khan: So, basically, if I compare H2 from H1 in every year that we have performed in major textile industries which do not expand or something like that. H1 is usually slow because it has less festivities. And along with that, the demands in the first two quarters are usually low in textiles. And in the second, third and fourth quarters, demand has increased. So stocking increases in H1, always. If we compare H1 last year to H1 this year, the revenue has increased. But if we compare H2 with this year's H1, our revenue has increased due to the new expansion that we came up with. We also started with cotton. We used to do a little bit of cotton. So, H1 is usually slow in textiles. Stocking increases.

Ayesha: Okay, sir. Another thing I wanted to ask is, you are in denim and scaling up your capacity. Would like to understand your thought process for the business going forward.

Nasir Khan: So, basically, the main reason, you will see, if you visit our plant personally also, when we started this plant in 2022, the denim manufacturing plant with a capacity of manufacturing 15 lakh meters of finished fabric, with a very minimum investment, we could have installed a third line also which would have increased our capacity to 21 lakh meters. And that would have reduced our utility cost. But we didn't do it at that time because we wanted to see how the market will react to our products, how the cash flows will be maintained in this industry and will we be able to cater it the way we are thinking of catering it to.

So, when our order book started to remain stable, when we started to have a normal order book of 25-30 lakh meters, that's when we decided that yes, it is time for us to expand our denim capacity and fulfil the total capacity, which will reduce our utility cost and increase our margin because we have planned our capacity accordingly.

- Ayesha:** Okay, thank you, sir.
- Moderator:** We will take the next question from the line of Manav Kothari. Manav, you can go ahead.
- Manav Kothari:** Congratulations, sir, for a good set of numbers. Sir, I wanted to know about the Swaraj Denim brand. We are building a brand called Swaraj Denim. So what are the product lines we are supposed to carry over there?
- Nasir Khan:** So, the products if we talk about in Swaraj Denim, we have numerous products of it. We have products for kids, we have products for males, we have products for females. So basically, there are bifurcations in this that a product developed for females cannot be used for males or kids. A product developed for kids cannot be used for males. Along with that, if I talk about the male segment also, we have developed numerous products with different types of stretchability, different types of yarns, different types of weaves, if we talk about. And along with that, meaning if it IBST, in which if you make it rough it will be indigo on top and black down, so we have developed numerous products like that.
- Manav Kothari:** So, what is the update on that brand? Are we going into B2B or B2C?
- Nasir Khan:** No, we won't be going into B2C. We will stay in B2B because B2C is a very different segment. To go into B2C, we will have to establish garmenting and along with garmenting, we will have to establish our own brand different in Swaraj Denim.
- Manav Kothari:** Different R&D sector.
- Nasir Khan:** Yes, that is a totally different sector.
- Manav Kothari:** And on the H1, H2 side, is it a 30-70 side that 30% of the revenue is from H1 and 70% is from H2?
- Nasir Khan:** Yes, basically, the reason behind that was the expansion. The main expansion which doubled, more than doubled our capacity, started at the end of H1.
- Manav Kothari:** Okay.
- Nasir Khan:** So on the basis of that, this revenue divide happened.

- Manav Kothari:** Okay, so sir, does that mean that from FY25-'26, 300-400 side, H1 and H2 can be feasible, right?
- Nasir Khan:** Yes, in the next financial year, right? I couldn't hear you properly.
- Manav Kothari:** Okay, thank you so much. Thank you.
- Moderator:** Thanks, Manav. We will take the next question from the line of Sachin Deshmukh. Sachin, you can go ahead, please.
- Sachin Deshmukh:** Hello, Mr. Nasir. Congratulations on the good set of numbers. Would you be able to shed some light on what is the repeat value? I mean, when the orders are actually given by these companies to Swaraj, have you had any history of whether orders have been repeated and what is involved? What are the factors that determine whether there would be a good set of repeat values?
- Nasir Khan:** Sir, you must have heard of the term fast fashion.
- Sachin Deshmukh:** Yes.
- Nasir Khan:** Fast fashion means that the fashion keeps on changing. And we, as a company, to maintain our margins, have to regularly update our products and supply new products. So basically, if I got a particular order from, let's say, Steve Jeans from Belgium today, and their development team is our team, they develop garments for us. So, if we supply a particular product of ours to that particular customer, they first give us a trial order of 5,000 meters. If that 5,000 meters is a medium success, then they give us a bulk order of 50,000 meters. After giving us this order, let's say this product runs for 6, 7 months, in which 10, 15 lakhs, 20, 25 lakhs meters are made.
- After that, what happens is that we are earning good margins in that product. So different companies start copying a little bit of those products. So what we have to do after that is to maintain our margins, we need to update our products and supply new products to the brands. And until we create that demand by developing new products, that demand will not come. So we keep on developing new products and keep on supplying. So, the customer retention of ours is good. We get the same base of customers only, but we get orders for different items.
- Sachin Deshmukh:** Thank you so much. I'll go back in the queue.

Moderator: Thanks Sachin.

Moderator: Hi Nasir, since there are no further questions, shall we end the call? There is a question in the chat box from Aman Shivare. Aman, you can go ahead please.

Nasir Khan: I can't see the message.

Aman Shevare: Thank you, Nasirji. A quick question from my end regarding the recent notification on future expansion. So Nasirji, if you can communicate to us that we have recently doubled our capacity, are we planning to increase our capacity even further beyond this? And if particularly, then in which segment are we targeting to?

Nasir Khan: So, now what we are targeting is garmenting. So, basically we are targeting garmenting along with a little expansion and spinning to help us cater to the total demand of our yarn. Along with that, we are targeting a little bit of garmenting. The total project will be defined after we announce and make the project. But before that, I can tell you this. We are targeting backward indication. We are not increasing the capacity for fabric. We are targeting garmenting and backward indication of yarn. That's it.

Aman Shevare: Understood. Thank you, Nasirji.

Moderator: Thanks, Aman. We will take the next question from the line of Alan Rodrigues. Alan, you can go ahead please.

Alan Varghese: Congrats, Nasir, for the good set of numbers. Nasir, just wanted to check on this that we have expanded our capacity and I think we spent quite a lot of money on doing that. So looking forward to the next quarter or the next half year, would it be right to say that the margins would be better? Because, you know, we won't be investing much going forward.

Nasir Khan: The margins will be better. Along with that, we will have numerous things such as we will be having a totally in-house yarn. So what we did right now is, Alan, if you visit our plant, with the same little investment in utilities such as our ETP plants, our boilers and all that, which are the major things that make the cost, with a little expansion in that and with a little increase in capacity, we have increased our capacity from 15 lakh meters to 40 lakh meters. So our utility costing will be majorly reduced. So that is a huge advantage.

Along with that, we have new customers and our yarn team has also increased. So we will be definitely having better margins.

Alan Varghese:

Got it.

Nasir Khan:

Thank you so much.

Moderator:

Thanks, Alan. We will take a follow-up question from Swarnashish. Swarnashish, you can go ahead, please.

Swarnashish:

Hi, sir. Thank you for the opportunity again. My question is, you have just said that your domestic order is around INR 80 crore- 90 crore and export award is around INR 21 crore. So what gives you the visibility of INR 450 crore revenue in H2?

Nasir Khan:

What happens in the textile industry is, it's a rotational order book. When we have the capacities, we can take orders as much as we can deliver in the next 45 days or 50 days. If we take orders above that, we might have to book a loss or my customers will have to book a loss because we cannot book for such a long time. So we keep it as a rotational order book. We don't have such order books that we are booked for the next 7 months, 8 months. We don't have such order books in the textile industry.

So it's a rotational order book. So, if orders are supplied here, then new orders will come in its place.

Swarnashish:

Yes, sir. And your yarn capacity was supposed to be commissioned in this month, November. So, it is currently under commercial stage?

Nasir Khan:

Basically, if it comes at the end of November, it will be commissioned at the beginning of December due to a little delay by LMW. It will be done.

Swarnashish:

Okay, sir. But still, we are expecting around INR 40 crore revenue from yarn division and trading, right?

Nasir Khan:

Oh, yarn and trading.

Swarnashish:

Okay, sir. Okay. Thank you, sir.

Moderator:

Thank you, Swarnashish. We'll take the next question from the line of Kevin Shah. Kevin, you can go ahead, please.

- Kevin Shah:** Thank you, sir. Sir, I have two questions. So, my first question is, I would like to understand more on managing the volatility in raw material prices. And my second question is, can you tell more on a bit of inventory management, particularly in the context of fluctuating input prices?
- Nasir Khan:** Sure. So the first question being said, we work on make-to-order basis, Kevin. So, basically, if I want to supply a particular cloth, I have a particular customer I am working with. So the yarn prices today will be put for the customer. The order will be booked on the basis of today's yarn prices and the fabric will be made on. Although, if the dispatch rate is delayed and the stock increases, the dispatch will be done later, but the yarn will be booked at that rate. So, that is how we mitigate most of the yarn fluctuation prices.
- Kevin Shah:** Okay, sir.
- Moderator:** Thank you, Kevin. Yeah. So, we'll take the next question from Srinii M. Srinii, you can go ahead, please.
- Srinii M:** Hey, there was a news about your preferential or fundraising. Are you planning to acquire any other -- is it for inorganic growth?
- Nasir Khan:** So, basically, like I said to Amanji, we were planning to go into garmenting and a little bit into yarn manufacturing. That is why we were doing the raise. Depending on the market conditions, we'll see what happens right now. But that is the main reason.
- Srinii:** Have you decided how much you are going to raise and are you going to do a preferential or a rights kind of an issue?
- Nasir Khan:** It will be a preferential. So we haven't decided the mode -- the total mode yet, but we are mostly focused towards preferential.
- Srinii:** Please consider right issue, Nasir, sir, because you know that gives the opportunity like us shareholders to participate. Just a suggestion.
- Nasir Khan:** Sure, sure, sure, Srinii, since you are saying. We have a lot to learn from you also. 100%.
- Srinii:** Thank you.
- Nasir Khan:** Thank you.

- Moderator:** Thanks, Srini. We'll take the next question from the line of Rajiv Gaokar. Rajiv, you can go ahead, please.
- Rajiv Gaokar:** Hello.
- Moderator:** Rajiv, we are not able to hear you.
- Nasir Khan:** Hello.
- Moderator:** Let's take the next question from Manav Kothari. Manav, you can go ahead.
- Manav Kothari:** Hello. Am I audible?
- Moderator:** Yes, yes, Manav. Please speak.
- Manav Kothari:** Nasirji, to conduct on debt structure, how can we handle the debt structure till FY27, what is the plan we are planning to handle?
- Nasir Khan:** So, basically, the peak debt that we are targeting in terms of term loan will be around INR 220 crores right now. And then working capital will be around INR 80 crores. Working capital will be on actual demand. And in INR 220 crores, basically, if we talk about the subsidies that are coming in, we are prepaying the term loans from it. For example, INR 3 crores, I have directly paid the term loans.
- The next round of subsidies that we are receiving, we are targeting to prepay the term loans from that along with the regular repayments that we have. So, that will help us maintain our debt profile very well.
- Manav Kothari:** Yeah. And do consider a pref because it gives a choice to bring very big investors on board. So, maybe it is a good thing.
- Nasir Khan:** Sure, sure, Manav. Thank you.
- Moderator:** Thanks. I think that was the last question for the day. Or do we have more questions? We will take the next question from Aniket.
- Aniket:** Yeah, just one question from my side. Sir, you spoke about the share of exports, which was INR 15 crores in H1. So, how do you see it going forward for next five years and any plans for catering to international market? Also, how do you see the demand for denim in domestic and international market, if you could tell me?

Nasir Khan: So if I talk about the demand for denim and cotton fabrics both because they go hand in hand for us. We have the same customer base. Going forward, the industry, the fashion industry is a very big industry and it will always grow. What kind of developments and what kind of unique things you can bring to the market that will help you achieve the margin that you are expecting. And the main focus of Swaraj Suiting right now is to focus on providing the best qualities and the best new developments on priorities and being the first in it. This is the most difficult task.

The easier it sounds right now, the tougher it gets to get a brand on board, to give them the development they want, to make them understand what will be the usage of these particular developments and all that. So, if we focus on establishing a good repo in terms of developments with the global brands or the indigenous brands also, this is a very good industry. If we keep going in quantity, that's a different thing. But that's not our focus.

Aniket: Okay, I guess I got my answer. Thank you so much.

Moderator: Thanks Aniket. I think this was the last question for the day. So, I now hand over the call back to Vinay sir. Vinay sir, over to you.

Vinay Pandit: Nasir, would you like to give any closing comments before we end the call?

Nasir Khan: So I'd just like to thank everyone for joining the call and giving me the opportunity for telling you about the company. Any other questions, I'll be happy to answer it through our IR, Mr. Vinay. And I would be happy to welcome anyone to the plant and show them what we're doing right now. Thank you for joining the call.

Vinay Pandit: Thank you. Thank you, Nasir. And thank you to all the participants for joining on this call. That brings us to the end of today's conference call. Thank you.