Ashutosh Fibre Limited

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19 November 2026

To,
The Manager,
National Stock Exchange of India Limited
Exchange Plaza, Plot No C/1, G Block,
Bandra – Kurla Complex, Bandra (East),
Mumbai – 400051

Symbol: ASHUTOSH || ISIN: INE19FR01012 || Series: EQ

Sub: Intimation of Investor Meeting Outcome under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015

Dear Sir / Madam,

In continuation to our earlier disclosure dated 12 November 2026, and in accordance with relevant provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith the transcript of "H1FY27 Earnings Conference Call" which was hosted by the Company on Tuesday, 17 November 2026.

The said transcript shall also be made available on the website of the Company.

You're requested to kindly consider the same for dissemination purpose.

For, Ashutosh Fibre Limited

Siddharth Prakash Patel

Digitally signed by Siddharth Prakash Patel
Date: 2026.11.19 15:45:12 +05'30'

Siddharth Prakashbhai Patel
Managing Director
DIN: 01477471

Ashutosh Fibre Limited

Q2 & H1 FY27 Earnings Conference Call

17 November 2026

MOONWALK CAPITAL
Elevating Vision. Empowering Growth.

Management:

Mr. Siddharth Patel - Chairman and Managing Director

Organized by: Moonwalk Capital

Ashutosh Fibre Limited

Q2 & H1 FY27 Earnings Conference Call

Moderator: Good afternoon, ladies and gentlemen. I am Shobhin Sheikh from Moonwalk Capital. I warmly welcome you all to the H1 FY27 earnings conference call of Ashutosh Fibre Ltd. Please note that this conference call may be recorded.

We are pleased to have with us Mr. Siddharth Patel, Chairman and Managing Director of Ashutosh Fibre Limited.

Once the management has completed its opening remarks, participants who wish to ask questions are requested to raise their hands.

We request all participants to keep their questions brief so that we can accommodate as many participants as possible. Thank you.

Siddharth, you can go.

Mr. Siddharth Patel: Yes. Can I start? Can you hear me?

Moderator: Yes.

Mr. Siddharth Patel: Hello?

Moderator: Yes, yes, Siddharth.

Mr. Siddharth Patel: Can I start? Yes.

Moderator: Yes, you can start.

Mr. Siddharth Patel: Yes, Hi. Good afternoon, everyone. A warm welcome to all the investors, shareholders, analysts, and well-wishers. We thank you for joining us at today's H1 FY 2026 - 27 earnings conference call of Ashutosh Fibre Ltd.

Just to give a brief overview of our company, Ashutosh Fibre Ltd. has evolved into a specialized manufacturer of high-performance technical yarns, catering to critical applications such as industrial, automotive, defense, and protective textiles. Ashutosh Fibre Ltd. caters to four main important areas of technical textiles. The first is Protech, followed by Indutech, Mobiltech, and Hometech.

Unlike conventional yarns, our products are designed around functionality, durability, performance, and safety. Our yarns are used in fire-resistant apparel, heat- and flame-retardant gloves, automotive braking systems, clutch plates, industrial filtration, and specialized defense textiles, among others. Today, we have a presence in more than 14 states in India and more than 9 countries across the world. Our in-house R&D and technology facilities, our spinning technologies, and established customer relationships have been the pillars and foundation of our business.

I am pleased to present the H1 2026 - 27 results, and we have delivered a steady financial performance. Our revenues grew by 7.3% year-on-year to 65.28 crores. EBITDA increased by 3.6% to 15.46 crores. Profit after

tax grew by 6.8% to 8.02 crores. This is largely due to capacity constraints. During this period, we did not increase any capacity, but this performance was mainly due to the increase in sales realization and margins that we achieved.

Beyond the performance, as we look towards the second half of 2026 - 27 and beyond, we remain optimistic about the opportunities available to Ashutosh Fibre Ltd.

First, with regard to forward integration, we have invested in dyeing and processing machinery, and it is expected to commence operations in December 2026. This will enable us to strengthen our value chain, increase our EBITDA margin, and enhance our manufacturing capabilities. We are currently only doing spinning, so this will be a game changer.

The second and most important thing is spinning capacity expansion. We are adding around 1,450 metric tons of annual spinning capacity at our Petlad facility, increasing our existing capacity by over 35%, with commercialization expected by June 2027.

The third and most important area is the fire-retardant fabric plant. We expect our engineered fabric manufacturing plant to become operational in the second half of 2027. This will mark a significant transformation in our product portfolio as we move from technical yarns to value-added engineered technical fabrics.

The fourth area is new product development, which is also one area on which we are focused. We are developing a new product for our existing customer in the mobility segment. The product trials have been successfully completed, and we are now working on the expansion plan for its commercial operation. It will

take at least 6 months to start this.

These four developments reflect our broader overall strategy of moving up the value chain, expanding manufacturing capabilities, and diversifying into value-added technical fabrics. Our focus remains on building a larger, more integrated, and profitable textile business.

So, dear analysts, investors, and shareholders, we are not merely navigating the challenges of today, but we are building the capabilities and financial strength required to capture the opportunities of tomorrow. With this, I would like to open the floor for questions.

Moderator: Participants who wish to ask questions can raise their hands. We will wait for the questions to line up.

The first question is from the line of Mr. Madhur Rathi from Countercyclical Investments.

Mr. Madhur Rathi: Good morning, sir.

Firstly, I wanted to understand the para-aramid and meta-aramid fibers that we are making. If you can help us understand who our customers are and from whom we source the raw material for this product?

Mr. Siddharth Patel: The raw materials are mostly sourced from foreign countries because they are not available in India. Teijin is there, and there are Japanese and Chinese companies. We sell this yarn mainly to Indian customers as well as foreign customers. It is mainly used in flame and heat-retardant apparel and gloves.

These are the yarns that we make. Other than that, we also source modacrylic. Modacrylic is also an important fiber that is being used today. We make yarn out of it, Moda-cotton. We had already invested in and commissioned the plant before the IPO. That is also one of the products that we are developing for heat- and flame-retardant applications. These products mainly go into heat- and flame-retardant apparel and gloves.

Mr. Madhur Rathi: Got it. Sir, there is also one company called Transpek India. They were supplying to DuPont earlier and now to Arlene, which is the market leader in this product. So, are we not sourcing this raw material from them?

Mr. Siddharth Patel: DuPont hardly supplies us. They supply only to designated producers, such as Arvind and other companies. They do not supply to us. Teijin is also an important supplier, and we rely on them. They have been our trusted supplier whenever we needed the material, even during times of shortages. We are one of their priority customers.

We source from Teijin, which is a Netherlands-based company. We also source from China if somebody wants a low-cost para-aramid or meta-aramid yarn. These are the companies that we source from. We currently do not source from DuPont.

Mr. Madhur Rathi: Sir, I was trying to understand whether we are making Kevlar.

Mr. Siddharth Patel: Kevlar is a brand name. We are making para-aramid. Kevlar is a brand name, Teijin is a brand name, and Twaron is a brand name. We are making yarns. Kevlar is a brand name of DuPont. Para-aramid is the fiber. Kevlar is para-aramid, and that para-aramid fiber is supplied by many companies around the world.

Mr. Madhur Rathi: Sir, the question is that when the American Kevlar manufacturer is buying raw material from an Indian company, you, being an Indian company, are importing the raw material from other countries. If it is available domestically, why is that not possible? What is the concern there?

Mr. Siddharth Patel: If we talk about para-aramid or modacrylic, I have inquiries from the US as well as customers from Europe. Teijin is a brand and Twaron is a brand similar to Kevlar. The cost-effectiveness and efficiency are still better elsewhere. Ashutosh Fibre Ltd. produces yarn, and the quality remains the same, but the cost is much higher in Europe than at Ashutosh Fibre Ltd. That is the main reason they are sourcing yarn from us and fabric from our customers.

The main reason is not that there are no spinning units available or operating in Europe or the US. Yarn as well as fabrics are being sourced by them. We manufacture yarns for our customers, and they make fabrics out of it and sell them to Europeans. The main factor is cost-effectiveness. The entire chain is more cost-effective compared with Europe or the US.

I have inquiries for yarn. They want very low-cost yarn. For example, Twaron currently costs around 18 to 22 dollars, but American customers sometimes want yarn at 16 dollars. The fiber costs 18 to 20 dollars, but they want yarn at 16 dollars. Therefore, we have to source from China. That is the reason. It is not that Kevlar is unavailable, but only a very limited number of spinning units still operate in the US.

Mr. Madhur Rathi: Understood, sir. For this financial year, what kind of topline can we expect, and what steady-state EBITDA margin do you believe we can sustain in this business?

Mr. Siddharth Patel: For the topline, we expect our topline to grow by 30% this year, given the development that we are undertaking. We expect the topline to be around 30% higher this financial year. EBITDA margins will remain the same. There will not be much effect overall, although they will increase. I do not want to quantify it right now because we have invested in the fabric processing unit, which has a higher EBITDA and profit margin.

We expect the topline to increase by 30%. EBITDA margins and net profit margins will remain the same. Just as you saw in the first half, the margins will remain the same in the second half as well. Overall absolute numbers will increase in line with the margins.

Mr. Madhur Rathi: Sir, since our revenue in the first half was more or less flat year-on-year…

Mr. Siddharth Patel: Right.

Mr. Madhur Rathi: We are expecting 30% revenue growth for the full year. That means we will finish the year somewhere around 150 crores. Is it fair to expect that in the second half we will generate approximately 85 - 90 crores of revenue? Is that a realistic number?

Mr. Siddharth Patel: Yes, that is a realistic number. I can also give you the basis for that. In May and June, we invested in a new spinning plant at our existing facility. That started at the end of August and in September. We could not generate the full revenue from it, which is why we mentioned that there were capacity constraints in the first half.

That plant, or spinning unit, has already started operating from the end of August and September. We are now going to receive the benefit from it. We are already using that spinning line for the Protech sector, for making modacrylic heat- and flame-retardant yarns and high-tenacity polyester yarn, for which we could not fulfill our customers' demand.

Our customer demanded 150 tons, but we could previously provide them only 60 tons. That is why we installed a new spinning unit. We had already invested in it before the IPO and commissioned the facility at the end of August, with production commencing in September. That is why the number is realistic. I am saying that this number can be achieved because it is achievable.

Mr. Madhur Rathi: Our margins used to be in the low single digits or mid-single digits, but now they have reached the mid-twenties. What is the reason that margins increased from 10% - 11% in FY23 to 15% - 16% in FY24 and FY25, and now to around 25%?

Mr. Siddharth Patel: The EBITDA margin remained the same last year as it is now. Last year's EBITDA margin was almost the same as what we achieved in the first half. The main reason is that we have focused more on the Protech sector, as I said. Why did we invest in the new spinning line? Because we saw that margins in the Protech sector were much higher than in any other sector in which we operate.

Earlier, as in last year, we used to bifurcate production. We used to make two products on one spinning line. Now, one spinning line will be allocated to a single product and the other line will be allocated to the next product. Both products have good margins. Of course, Protech is a technical yarn sector with a much higher margin, and we are receiving greater benefits from that sector. That is the reason margins have increased from last year. The second factor is that we invested in a 4 MW, or 4.5 MW, solar plant. That has reduced our overall production cost, particularly our electricity cost.

Mr. Madhur Rathi: Understood, sir. What is our capex going forward?

Moderator: Madhur, if you can join the queue again.

Mr. Madhur Rathi: Yes, I have already asked this question. Perhaps management can reply. Mr. Patel, what is our capex for this year, and what is the full revenue we can reach if we operate at full utilization with the new capex or the new spinning unit that you mentioned?

Mr. Siddharth Patel: We are undertaking capex of 65 - 70 crores from the IPO proceeds as well as bank loans. This year, we are going to achieve 30% growth. Next year, as I said in the presentation, the new plant will be operational by June, and we expect the turnover, or topline, to increase by another 50%. After that, in the following year, we will receive the full benefit of the capacity, and we can attain and achieve that capacity. That is what I am saying.

Mr. Madhur Rathi: Sir, once the new plant is commissioned next year, what will be the maximum revenue that the company will be able to achieve if it operates at full utilization, perhaps in FY29 or FY30, whenever you can scale it up to full utilization?

Mr. Siddharth Patel: Full utilization will be achieved in 2028, I would say, because it will be in place by next year. We expect revenue to reach 280 crores if we have a full year with that capacity and machinery.

Mr. Madhur Rathi: Sure, Mr. Patel. I will rejoin the queue. Thank you very much.

Mr. Siddharth Patel: Sure.

Moderator: The next question is from the line of Mr. Suraj Fatehchandani from Vizit Growth Fund.

Mr. Suraj Fatehchandani : Hello. Yes, good afternoon.

Mr. Siddharth Patel: Good afternoon.

Mr. Suraj Fatehchandani : I have a couple of questions. First, I wanted to understand what products you serve in defense and what the revenue contribution is from that particular segment.

Mr. Siddharth Patel: In defense, we do not supply directly. We make heat- and flame-retardant yarn for our customers, and they bid for contracts and win contracts from the defense sector. We are not directly supplying defense at the moment because we need to have weaving as well as processing facilities.

Defense has a requirement that processing must be carried out at your end, not only spinning. Therefore, we are not directly supplying anything to defense right now. Indirectly, however, we supply heat- and flame-retardant yarns that go into the manufacture of fabrics. Secondly, we make yarns for anti-radar systems, which contain stainless steel along with polyester, polypropylene, and other materials. Those two products go into defense, but we do not make the final product out of them.

From December onwards, we will be able to bid because we have already invested in processing machinery. We will be able to supply directly to defense.

Mr. Suraj Fatehchandani : Understood. Would there be any pre-qualification required? I assume you must have applied for it, so there must be a lag, or are you already pre-qualified?

Mr. Siddharth Patel: No, we are not pre-qualified at present. We have to get our products qualified. We have to make the products, get them certified, and then apply for it.

Mr. Suraj Fatehchandani: Understood. Secondly, I wanted to understand your business strategy. You have mentioned three areas: engineered fabrics, capacity expansion, and forward integration into dyeing and processing.

In terms of the growth lever, what is your vision and strategy for the major growth lever going forward? Is it more towards engineered fabrics, where you would want to increase sales; capacity expansion in your existing capacities; or forward integration? Could you explain this?

Mr. Siddharth Patel: Yes, mainly we want to enter engineered fabrics. That is the main area. However, we want to proceed step by step.

First, as I said, we have already invested in textile processing machinery. We already have customers ready to buy the fabric. What our customers are doing right now is either importing from China, or procuring yarn from us, getting it woven or knitted from other weavers, and getting it processed by a third processor.

We want to provide the final product to them. That is our short-term plan. We want to undertake textile processing, where we have customers ready to take whatever capacity we currently have. They are willing to take the entire available capacity.

Secondly, as I said, next year we also want to develop engineered fabric. For that, we have to invest in looms and weaving machinery.

The third area is capacity expansion. Right now, with our existing capacity, we are not able to cater to our clients. They are not moving anywhere else. We are currently shifting our capacity and product mix from one area to another to cater to our customers. Once we increase the spinning capacity, that will also cater to our existing clients and help us acquire new clients.

The fourth area is the mobility sector. We have developed a new product for our existing customer, and the initial trials have been successfully completed. Within 6 months next year, this product will go into braking and clutch plate systems, and by April they have told us that they will provide a serial production order. That is the deadline they have given us. These are the four main areas on which we are currently focused. The short-term plan is to enter fabric processing, or forward integration, where the margins are also higher than in spinning and our customers are ready to place orders. We have ready customers. We do not have to search for customers or market our products to acquire them. That is the situation.

Mr. Suraj Fatehchandani : Understood. So, engineered fabrics and forward integration are one and the same thing, right?

Mr. Siddharth Patel: Right.

Mr. Suraj Fatehchandani : The capacity expansion in spinning is around 35%, right?

Mr. Siddharth Patel: 35%.

Mr. Suraj Fatehchandani: Understood. Lastly, what drove the gross margins to around 50% in H2 FY26, and what explains the 15% fall in material cost per ton in FY26?

Mr. Siddharth Patel: Sorry, I did not understand you.

Mr. Suraj Fatehchandani: I wanted to understand the swing in gross profit margins in H2 FY26 vis-à-vis H1 FY27 or H1 FY26. Steady-state gross margins are around 44% - 45%, but they increased to 50% in H2 FY26. What drove the upswing, and what should be the steady-state gross margins going forward?

Mr. Siddharth Patel: They will remain at 50%; that is what we are saying right now. EBITDA margin will remain the same. Gross margin, I would say, was mainly due to the solar plant. Other than that, going forward, EBITDA margin and gross margin will remain the same.

They will continue at this rate because last year we were able to obtain lower-priced raw material, and that is continuing.

Previously, we used to obtain clean products. One area of our business involves recycling, and we have a recycling plant.

Mr. Siddharth Patel: We used to obtain clean products that cost approximately 8 dollars. Now we have found a way to clean the products here in India. As a result, our gross margins have increased. We are currently able to obtain such products in India. This will continue and will no longer put pressure on margins. That is the situation.

Mr. Suraj Fatehchandani: That is all from my side. Thank you.

Moderator: Participants, are there any other questions?

Mr. Madhur Rathi: Mr. Patel, I wanted to understand whether our capacity is fungible between our Protech business, industrial yarn, and the four segments shown in your investor presentation. Is the capacity fungible between these four segments?

Mr. Siddharth Patel: What did you say? Fungible? What?

Mr. Madhur Rathi: The Protech, Mobiltech, Indutech, and Hometech segments are all these capacities fungible? For example, if we receive more orders from Protech, can we use our existing capacity, which may be used to manufacture Hometech, to produce Protech?

Mr. Siddharth Patel: Yes, we do that. Sometimes it is changeable. I would not say that Indutech is not changeable, but some machinery between Hometech and Protech is changeable. Protech is a high-margin business, so whenever we receive good orders, we shift more machinery to Protech.

Mr. Madur Rathi: Understood. Mr. Patel, what will be the peak debt on our balance sheet? You mentioned that our new capex will come on stream by June next year. We may require some debt, and then, to ramp up production to full utilization, some working capital debt may also be required. What I am trying to understand is what the maximum debt on our balance sheet will be, perhaps at the end of FY28 or FY29?

Mr. Siddharth Patel: It will remain almost the same. The IPO funds, or IPO proceeds, were used to retire the old debt and fund the new debt. We receive a good subsidy with the new plant, so it will almost remain the same.

Last year, for example, the term loan was 20 - 21 crores. It would increase only to around 26 - 27 crores, and not more than that, with the new capacity.

Regarding working capital, it is almost unused. We have a working capital limit of 20 crores, but it is almost unused. Therefore, we will not require more working capital even with the new capacity.

Mr. Madhur Rathi: As of September, our debt was 40 crores and we had 48 crores of cash, right? So, basically…

Mr. Siddharth Patel: 40 crores. Sorry, I will rephrase that. Out of the 40 crores, 20 crores were term loans and the remaining amount was an unsecured loan. I think that will remain the same in total.

Mr. Madhur Rathi: What I am trying to say is that on a net debt basis, if we subtract the cash from the debt, the company is debt-free, right? We have 48 crores of cash and 40 crores of debt. As of today, the company is debt-free. After the new capex and possibly some working capital borrowing, if required, will we remain debt-free?

Mr. Siddharth Patel: There will be around 10 crores of additional debt. We are going to receive funding of at least 30 crores through a bank loan. We have to repay 20 crores, and 26 - 30 crores will be a new bank loan. Therefore, there will be only 10 crores of additional debt, and not more than that.

Mr. Madhur Rathi: Understood. What is the pricing arrangement with our customers? Is it formula-based pricing, where the raw material price is passed through, or is it a fixed-price contract for a quarter or a year? Or is it a price-reduction contract as volumes increase? I can see that automobiles are also one of our customer segments, where annual price-reduction contracts as volumes increase are quite common. Is that the case with us?

Mr. Siddharth Patel: I will start with automobiles. For automobiles, we have an annual contract. We have received an annual contract, and we will receive the official annual contract by December. If there is any price increase or decrease, we have to approach them. Mostly, we approach them for an increase. We tell them that we want this increase due to an increase in raw material prices.

Mr. Siddharth Patel: In the last 8 years, we have not received any suggestion or request from our customers to decrease the price during the contract period. We have not received anything like that.

I have approached them when raw material prices and shipping freight increased. There is a clause in the contract that allows us to approach them in May to increase or change the contract price. I approached them, and they readily agreed. Therefore, the contract remains almost the same. Whatever is written in the contract applies for the whole year, and there will not be any change in the contract.

For the other segments, such as Indutech and Protech, whenever there is an increase in prices, there is an increase in the sales rate immediately. For example, during the recent war in March, there was a one-day jump in oil prices and a subsequent increase of 14 rupees in polyester and PP prices. We increased the price on the same day, at the same moment, and our customers readily agreed.

Whatever contract existed before that continued, and we had stock of the raw material, of course, but we have the ability to pass on the increased cost to our customers. If a customer orders 10 tons, we buy material for 10 tons and then provide pricing at that rate. It is not structured in any other way. Only automobiles have a full-year contract.

Mr. Madhur Rathi: Understood. How much of our total revenue comes from automobiles?

Mr. Siddharth Patel: Around 35%.

Mr. Madhur Rathi: Automobiles account for 35%. What is the broad breakup of the remaining segments?

Mr. Siddharth Patel: The broad breakup is 35% each from automobiles and Protech, 30% from Indutech, and the remaining amount from Hometech.

Mr. Madhur Rathi: Understood. You told us that there is some fungibility between Hometech and Protech.

Mr. Siddharth Patel: Correct.

Mr. Madhur Rathi: Indutech and Mobiltech are totally independent. Is there no interchangeability possible between them?

Mr. Siddharth Patel: There is some interchangeability. We have not faced any problem in demand for either Indutech or Mobiltech so far, but if we change some spares, it is possible to manufacture a different product as well.

Therefore, they are not completely non-interchangeable, but we have to change some spares, and that machinery can also be used for other products.

Mr. Madhur Rathi: Understood. What would be our market share in the country in the segments in which we operate, and who would be our major competitors in each segment?

Mr. Siddharth Patel: For Mobiltech, it is a huge market. We make yarns in India. We make Aramid Yarn products, which are supplied to the Indian automotive industry. Abroad, we have a customer segment where we control around 70% - 75% market share.

In Protech, there are many players. Arvind is present, but they are mainly into finished products. Arvind is present, RSWM is very small, and Reliance Camotex is also present.

Our advantage is that for all 23,000 spindles, there is one blowroom line, whereas we have 6 blowroom lines. Therefore, we can manufacture 6 different products on 6 different blowroom lines. Whenever a customer asks us to produce even 100 kg, we readily agree and supply it.

All of these customers started with 100 kg, and now they purchase 25,000 kg per month. Customer loyalty is one of the important factors. It is not like the normal textile business, where customers move elsewhere if someone offers a 2-rupee discount.

We even face competition from an Indonesian mill. I would not name it, but it is a very large mill. Our customers did not move there. Competition, in a way, is not related to price. It is related to customer loyalty and quality, and we have consistently managed to provide quality according to our customers' requirements.

The products are priced anywhere between 6,800 rupees per kg and 2,000 rupees per kg. Therefore, there should be no wastage, and the quality has to be properly maintained. That is the situation in technical textiles.

Mr. Madhur Rathi: It is shown that we have started manufacturing some polypropylene yarn. Where is it being used, is it a higher value-added item, and is Zenith Fiber also manufacturing the same product?

Mr. Siddharth Patel: Zenith Fiber manufactures fiber. We started by doing job work for Zenith Fiber. We make yarn for them. We still make yarn for them and supply it on a job-work basis because they have been associated with our business since we started, and they also started around that time. That is why we still supply them yarn on a job-work basis. They are not making yarns; we make yarns for them and supply them to Zenith Fiber.

Regarding polypropylene, polypropylene spun yarn is a niche market. It is used in chemical as well as industrial filtration. The yarn is used in those applications. You must have seen filter bags. PP resists many chemicals, alkalis, and acids, which is why it is used. Previously, cotton and polyester were used, but they used to burn. PP is a good option for use in the chemical, pharmaceutical, and various other industries. It does not absorb color, which is also important in textiles.

Secondly, you must have seen filter cartridges. We were the pioneer, and we remain a pioneer, in making filter cartridges. We used to supply one of the main customers that started water filtration and RO systems. We currently face competition in that segment, but in filter bags and filter cartridges, we are one of the leaders globally in PP.

Mr. Madhur Rathi: Is there any anti-dumping duty on our products? Otherwise, what is the import duty, and is there any threat of Chinese dumping in our products?

Mr. Siddharth Patel: I will give one important data point regarding one of our customers. 2 by 24 is one of the PP yarns made in China, and we also make PP. I received a quote 2 years ago, and even now, the Chinese yarn was 50% more expensive than what Ashutosh Fibre Ltd. supplies.

Mr. Madhur Rathi: Understood. So there is no…

Mr. Siddharth Patel: No, there is no competition from China in that product. There is competition in high-tenacity polyester, but currently freight costs have worked in our favor. Freight costs from China to India have increased so much that we are facing shortages in delivering high-tenacity polyester yarn to our customers.

Around 6 months ago, containers of such yarn used to arrive, even with anti-dumping duty. Now they are not arriving, and customers are asking us for more. If we are producing 3 tons per day, they are currently asking us for 6 tons per day.

Mr. Madhur Rathi: Right. 40% of our revenue is from exports. Are we exporting on an FOB basis or a CIF basis? Is the freight borne by us or by the customer?

Mr. Siddharth Patel: For the US, it is on a CIF basis. We export to China, Germany, Hungary, Brazil, Belgium, and Poland, and all of those exports are on an FOB basis.

Mr. Madhur Rathi: Understood. How many SKUs do we have?

Mr. Siddharth Patel: Are you asking about SKUs in terms of products?

Mr. Madhur Rathi: Yes.

Mr. Siddharth Patel: In terms of final products, we do not produce the complete finished product. If we consider the different and diversified products, we have 40 different products running in our mill at any given time.

Mr. Madhur Rathi: Understood. Are we selling through dealers or distributors, or directly to the end customer?

Mr. Siddharth Patel: Mostly directly to the end customer.

Mr. Madhur Rathi: Right.

Mr. Siddharth Patel: Only 1% - 2% might be through dealers here.

Mr. Madhur Rathi: Do we need to disclose our cost structure to our customers, such as the cost of raw material, labor cost, conversion charges, and so on?

Mr. Siddharth Patel: Only to automotive customers, and not to others.

Mr. Madhur Rathi: Understood. Going forward, for any project that you undertake, what kind of IRR or payback period do you look for?

Mr. Siddharth Patel: If I consider all four products, for fabric processing, the payback period should be around 2 - 2.5 years. It has been that way for us.

For the Mobiltech product, the payback period is hardly 1 year because of the machinery cost and our ability to find suitable machinery and blades.

The third area is weaving machinery. The IRR for weaving machinery will be around 3 - 4 years, based on the current products on which we are focused.

The fourth area is spinning and expansion. The payback period there is also around 4 years.

Mr. Madhur Rathi: Understood. So, the payback period for all our capex is within 4 years?

Mr. Siddharth Patel: Correct.

Mr. Madhur Rathi: Is there any entry barrier or certification required? Otherwise, what prevents competitors from entering this segment, adding large capacities, creating oversupply, and then undercutting each other, as normally happens in a commodity business?

Mr. Siddharth Patel: Most of the products have entry barriers. I will start with polypropylene. It was very difficult for many companies even to replicate what we were doing earlier. We have

been doing this for many years. It was difficult because these fibers are not easy to spin. Polypropylene is very tricky to spin.

The machinery wear-and-tear period is significant, and the workers' skill is most important. In conventional cotton and polyester production, one worker will handle two ring frames. In all the products that we make, one worker handles only one side of a ring frame or a machine. Therefore, these fibers are very tricky to handle.

Secondly, the designated suppliers of raw material are not willing to supply to every spinner, to just anyone who approaches them. They do not supply to everyone. There are designated spinners and a designated fabric chain.

If someone approaches a customer and says that they will supply the same fabric or yarn that Ashutosh Fibre Ltd. makes, it is very difficult to switch. Customers will not shift easily. That is the main factor.

We had a difficult time entering the market in 2011 - 12 because the fiber manufacturers, whose fiber is our raw material, were not willing to supply us. They do not want the product to become a commodity in the market, because otherwise nobody will benefit if their fiber becomes a commodity. That is the main entry barrier.

We faced the same situation earlier. However, we installed new machinery and acquired new customers, which opened the market for us.

Mr. Madhur Rathi: You mentioned that you are planning to forward integrate into fabric. Is the new plant coming in June next year the fabric plant?

Mr. Siddharth Patel: No, June is for the spinning plant. December is for the fabric plant. The fabric machinery will be installed in December.

Mr. Madhur Rathi: Once fabric production starts, how will our product mix change? How much of our yarn will ultimately become fabric? Will the mix change from 100% yarn to some percentage of fabric?

Mr. Siddharth Patel: The machine has a capacity of around 70,000 meters. That is the dyeing capacity. For the first 3 months, we expect 40,000 - 50,000 meters, which will consume around 10,000 kg of yarn per month. We are currently producing a total of 4 lakh kg of yarn.

Mr. Madhur Rathi: So, 10,000 kg out of 4 lakh kg will be used.

Mr. Siddharth Patel: Yes, that is the starting quantity.

Mr. Madhur Rathi: What is the markup? If we are selling yarn for 100 rupees, at what price will we sell the fabric?

Mr. Siddharth Patel: It depends. We have calculated the EBITDA margin as well. For example, if it is currently 24% - 25%, we expect it to increase to 29% overall for fabric.

Mr. Madhur Rathi: On the realization front, how much would the realization multiple be?

Mr. Siddharth Patel: We calculated the average realization at 700 rupees per meter. It also depends on the quality of the fabric. For example, in the case of meta-aramid, it can be higher or lower. I have taken an average of 700 rupees per meter, or 650 - 700 rupees per meter.

Mr. Madhur Rathi: Will we be doing weaving in-house?

Mr. Siddharth Patel: We will do it next year. We are not setting up a plant right now. At present, we are getting it woven by our partners.

Mr. Madhur Rathi: What I understand is that weaving is very difficult. As you mentioned, polypropylene is difficult to spin, but weaving is even more difficult for these technical fibers. How do we plan to bring that in-house?

Mr. Siddharth Patel: Weaving is difficult, but so were spinning and processing. Through our partners, we know how to weave certain fibers and how certain fibers behave in particular environments. We know how the fibers are used and spun. Weaving will depend entirely on how the spinning is carried out.

Mr. Madhur Rathi: Got it. One final question. My understanding is that we have partners such as Teijin and the other company you mentioned, Kaneka. They supply us with fiber, and we make the end yarn for them. Going forward, will we be making fabrics for these customers?

Mr. Siddharth Patel: Yes, that is right. These are the fiber suppliers. The names I gave you were the fiber suppliers.

Mr. Madhur Rathi: Got it. There is a company called Kusumgar, which is very large in defense fabrics, an area where we would like to operate. Is that the thought process for Ashutosh Fibre Ltd.?

Mr. Siddharth Patel: That is why we also want to undertake weaving. However, we do not have customers for weaving right now, whereas we have customers for processing and can reach full capacity in processing. That is why we currently want to focus on processing, but our ultimate focus is to make engineered fabrics.

Mr. Madhur Rathi: Who will we supply this fabric to? We will be supplying the end product, the woven and dyed product, to this customer, right?

Mr. Siddharth Patel: Yes, we will supply the fabric to our customers.

Mr. Madhur Rathi: Who is this customer? Are they our current customers, or are they new customers?

Mr. Siddharth Patel: They include both current and new customers. I would say that 70% will be current customers and 30% will be customers who are importing. It is not that they will start purchasing from us for the first time. They are already purchasing yarn, but they are currently importing mostly from China.

We want to undertake import substitution for them, and that is what they are asking us to do.

Mr. Madhur Rathi: Are Shri Karni Fabcom and Spunweb Nonwoven making the same fabric that we are trying to make?

Mr. Siddharth Patel: I have not heard of them. I can mention companies such as Arvind, which is making meta-aramid, Protech, and other products. I have not heard of Spunweb. Its fabrics are completely different because they are nonwoven. We will not be making the same nonwoven products.

Mr. Madhur Rathi: Is Shiva Texyarn our customer? They make defense and high-altitude clothing for Siachen and similar applications.

Mr. Siddharth Patel: No, they are not our customers. I have not heard of them. We do not supply directly to them.

Mr. Madhur Rathi: How large is our plant, and how many shifts do we work?

Mr. Siddharth Patel: We have 23,500 spindles, one open-end spinning machine, and one friction-spinning machine. We run 3 shifts. On Sundays, we run almost 1.5 shifts. That is the size of our plant.

We produce around 12,000 -13,000 kg of ring-spun yarn, 2,500 kg of DREF yarn, and 1,600 kg of open-end yarn per day.

Mr. Madhur Rathi: I was trying to understand how large the plant is in terms of acreage and whether there is space for further…

Mr. Siddharth Patel: 80,000 square yards. Sorry, it is 80,000 square yards.

Mr. Madhur Rathi: How much scope is there for further brownfield expansion after the fabric unit is commissioned?

Mr. Siddharth Patel: The fabric unit is coming up in the existing plant. We are only going to install particular machinery in that plant. After the expansion, I would say there will be no further capacity available. This is the full extent of the capacity that we can install because everything will be utilized.

Therefore, we will have to acquire new land and install new machinery for any further expansion.

Mr. Madhur Rathi: How many steps are involved in the manufacturing process for the yarns we manufacture? From the raw material to the finished product, how many stages are there?

Mr. Siddharth Patel: It depends. For example, in the recycling plant for the automotive industry, the first stage is the recycling plant. We cut the fabric, open it, and turn it into fiber. The fiber then goes into the blowroom line, which is the first stage of spinning. Then there is carding, drawing, inter, ring frame, winding, and TFO 7 - 8 stages in total.

Mr. Madhur Rathi: Are we also doing dyeing, or are we only manufacturing?

Mr. Siddharth Patel: No, we are not dyeing right now. We are not dyeing yarn or fiber.

Mr. Madhur Rathi: Lastly, what is the USP of our company, and what do you believe is the biggest challenge in front of you in scaling up the business?

Mr. Siddharth Patel: The USP of the company is that we have 6 spinning lines. That is the main USP. As I said, this has given us an advantage over other spinners because nobody can make 6 different or 20 different products in a single spinning unit.

The challenges we expect are related to fiber availability, pricing, or similar factors. That is the challenge. Other than that, there is always a substitute. However, approximately 1 year ago, one type of fiber was unavailable because China had blocked the raw material. The Japanese manufacturers, of course, converted that fiber using another raw material.

That is the main challenge because customers usually want a particular brand and a particular fiber for that yarn. We cannot simply substitute any product with another product. We also cannot substitute it with another fiber or another brand of fiber, other than what the customers have requested.

Mr. Madhur Rathi: Are we supplying these yarns for friction components and brake linings to players such as Rane, Madras, or Sundram Brake Linings?

Mr. Siddharth Patel: No, we are not supplying directly to them. We supply to one of the dealers who may supply to these companies. Our main exports are to OEMs in Germany, Brazil, and China.

Mr. Madhur Rathi: That was all from my side. Thank you very much, and all the best.

Mr. Siddharth Patel: Thank you.

Moderator: Thank you, everyone, for joining the call. If anyone has questions or wants further interaction, they can reach out to Moonwalk Capital. Thank you, everyone, for joining the call. Thank you to the management. Thank you.

Mr. Siddharth Patel: Thank you.

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