



“Shree Karni Fabcom Limited

H1 FY '26 Conference Call”

November 24, 2025



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Moderator: Ladies and gentlemen, good afternoon and welcome to the H1 FY '26 Conference Call of Shree Karni Fabcom Limited. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantee of future performance and involve risk and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode. 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 touchstone phone.

Please note that this conference is being recorded. From the management, today we have Mr. Rajiv Lakhotia, Managing Director and Mr. Arbind Lahoty, Chief Financial Officer. I now hand the conference over to Mr. Arbind Lahoty, Chief Financial Officer of Shree Karni Fabcom Limited. Thank you and over to you, sir.

Arbind Lahoty: Thank you, ma'am. A very good afternoon to everyone. I am Mr. Arbind Kumar Lahoty, CFO of your company. Welcome you all to the con call of Shree Karni Fabcom Limited and thank you for joining us today. The first half of FY26, the company delivered robust financial results highlighted by strong revenue growth and improved profit metrics compared to the same period last year.

Our revenue from operations rose sharply to INR107 crores, which is up 40.73% indicating strong demand. Our employee benefit expense also rose 25.3% to INR5.4 crores as we hired reputed professionals mainly in R&D and designing team with other composition upgrades. Our EBITDA showed 45% year-on-year to INR10.86 crores with the EBITDA margin improving to 10.15% from 9.85% last year.

Our PAT grew robustly by 26.77% to INR6.17 crores. This growth has come alongside improved operating performance with EBITDA and profitability expanding meaningfully versus the previous year, despite higher depreciation from new assets coming on stream. I would like to now request moderator to open the floor for Q&A. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Namish Gupta from NGC. Please go ahead. Hello.

Namish Gupta: Okay. Thanks for taking my question. So, my first question is like, what is actually our competitive advantage in the technical textile sectors or the other verticals of textiles that we are operating and who are our listed peers as well as unlisted peers in this space?

And my second question is regarding, I think there is a substantial margin gap difference in H1 versus H2. So, will there again be the same trend in this year also, like 7% to 8% EBITDA margin difference between H1 and H2 and why that difference is there?

Moderator: The line from Mr. Namish has been disconnected. We will take the next question from Mr. Tanmoy Roy, an individual investor. Please go ahead.



Tanmoy Roy: Hi. Thank you for the question. So, one thing I would like to know, as you can see, our capex is already done. And so, I believe our depreciation interest cost will be increasing accordingly. So, how much we are expecting the depreciation interest cost for the year financial year FY27 and how it is going to impact our margin trajectory?

Rajiv Lakhotia: Hello, shall I start? See, there was a depreciation cost has increased, but as you see, we have taken that in account and it will be substantially the same in this year also. Because now from here, we are not going to add anything else. Yes, we are going to planning to increase the percent capacity of our dyeing house from here. So, I don't think this will impact anything further from here. Whatever is there will be there like this only. And we will make up for this also in the second quarter – second half I think so.

Tanmoy Roy: So, we can work with like, 13% margin as of now for the second half?

Rajiv Lakhotia: 13% PAT you are talking?

Tanmoy Roy: No, no, EBIT operating margin?

Rajiv Lakhotia: Yes, we will increase it from here, we will have 100% increase from here, we will not go anywhere down from here.

Tanmoy Roy: So, as a base case, you can take it as 13% now and then maybe if business improves, it also can improve, right?

Rajiv Lakhotia: 100% things are going to improve from here, they are not going to go anywhere down from here.

Tanmoy Roy: Okay, so second one is like, as we know, one of our biggest client is VIP. And VIP has been taken over by a new promoter. And how do you see that business shaping up for us? Like, do you see any incremental more volume from them or they are like moving to any other?

Rajiv Lakhotia: First of all, VIP is one of our biggest clients. We have equally like Samsonite and Safari also in our portfolio and a few others also. But for Safari, for VIP right now, the management has taken over.

And as you see, they have pumped in hefty amount of money in the company. And they are planning to go a big way, big, big way means you can say. And we have very big benefit for us also. I don't think so anything wrong going with them. And they will go aggressive for the next three, four years very, very fast. It will give a boost to us also.

Tanmoy Roy: Yes, that's what I was just trying to understand...

Rajiv Lakhotia: Because the old management was not so aggressive for the business also and they were not handled by the lower people only. And now they are going aggressive and they are taking good participation in the business. I think it will grow multiple from here.

Tanmoy Roy: Okay, fine. The last one I'd like to make is, do you have any update on our defense sector order booking or anything like that?



Rajiv Lakhotia: We have already started doing small, small business with some of the second Tier companies, you can say, not directly to the defense. Because for the defense, you need directly the certifications and the nominations, you need to have some criteria to start defense directly. We are working on that.

But as of now, we have started supplying to the people who are doing for the defense, like two, three, four companies are there who are making jackets for defense and backpacks for defense. So we have started dealing with them. And gradually going ahead, once we get all the certifications and everything, we'll start dealing with them directly. Because there are some formalities for the tender business, we don't let people enter so fast. So we are on it and we will capture it very fast.

Tanmoy Roy: I mean, brand concept is also our customer, right?

Rajiv Lakhotia: They are very old customers, yes.

Tanmoy Roy: Okay, because they are also going aggressive in terms of all the other products.

Rajiv Lakhotia: They are very old customers, very close friends also.

Tanmoy Roy: Yes, because they got recently many other brands also into their kitty. Okay. So that's it from my end. Thank you so much for the update.

Rajiv Lakhotia: Thank you.

Moderator: The next question is from the line of Namish Gupta with NGC. Please go ahead.

Namish Gupta: Yes, sir. I think I was disconnected for 5-10 minutes earlier. So my questions are, I mean, what is actually our competitive advantage versus our peers in this, in the verticals that we are currently operating? And who are actually our listed peers or unlisted peers in this, in the verticals that we are operating?

And my second question is, sir, I mean, there is substantial difference of 6% to 8% EBITDA margin in H1 versus H2. So will that same trend will continue this year also? Like EBITDA margins in H2 will be significantly higher by 7% to 8% in H2. And why that is, and if that is the case, why is such case, I mean, why in H2 margins are so higher while in H1 margins are so lower, sir?

Rajiv Lakhotia: First of all, your question was, what is our advantage? The biggest advantage we have is our experience. Means no one can read that from here. And since the luggage industry started a boom, we are, we means, I think we were the first player to enter the luggage industry in '99. And till then we are continuously in touch with the companies. And we have now, we have all the end-to-end processes from, only we buy yarn from outside and everything we have in-house.

In fact, now we are making finished goods also in-house. So this is the biggest advantage that we have everything under one roof, which very few factories in India have as of now. And this is the biggest advantage.



And plus our relationship with the customers, because we are still so old that our experience and our relation, plus our benefits of the integrated setup, all the nominations, what we have, all the things, all the benefits, what we have, what the requirements, their requirements, whatever they need, we have everything with us. So they have a big choice that we can offer them, which no one else can. And now your second question was, I think regarding the H1 and H2 differences, right?

Namish Gupta:

Yes.

Rajiv Lakhotia:

See the H2 business is always the school business and the travel industry business is also there. The season is there, travel season is there. The volumes are also more. And there are some benefits which we get in H2, like some subsidies and some interest subsidies with these things, so which are there in the H2, H2 side. So these things impact the business. But now we are going ahead in the next year.

We are going to focus on the other businesses also, which are not dependent on the luggage industry. So this year, yes, we will find a differentiating H2 again. But from next year, we will try to improve the H1 also and H2 is always better. So but the H1 will also increase from next year onwards.

Namish Gupta:

Okay. Sir, I mean, like this year also, like EBITDA margins will be 6% to 7% higher in H2 as like, just like, like, like previous 2-3 years?

Rajiv Lakhotia:

This must be there. Yes. Like, like every year trend is there, this must be there, because the business is also higher in the H2. And everything is better in the going second half.

Namish Gupta:

Okay. And in my first, I mean, first thing also, I mean, who are our listed or unlisted peers, sir?

Rajiv Lakhotia:

Listed peers, there was a player, but it was also not focusing 100% on luggage industry. JCB was doing some other business in this field. But now they are not giving that, doing that, I think so. And unlisted players, there are two, three players. There's a player called Citizen Umbrella. They are great in this field. They are a player from Noble Tech. They are doing it, but there are no listed players as of now.

Namish Gupta:

Okay. And, and one more thing, if I can ask, sir, like how in our business, how much is the share of the luggage business? I mean, as of now?

Rajiv Lakhotia:

As of now, luggage is around 50% to 60% of our business, but going ahead by '27, '28, we target to have any, any sector, not more than 30% of our business. So it's not that the, this business will go down. It's like that other business will grow and simultaneously this will also grow. But the other business will grow more and we'll have a focus like this. None of the sector is more than 30%.

Moderator:

The next question is from the line of Rahil S from Sapphire Capital. Please go ahead.

Rahil S:

Okay. Yes. So, so first of all, what is your current capacity?



- Rajiv Lakhotia:** Current capacity, why is, which one are you talking about? Sir, current capacity, like means, which type of capacity are you talking about?
- Rahil S:** So you have, I believe, knitting and weaving, correct? You do?
- Rajiv Lakhotia:** Yes, like that. So weaving capacity right now, we have around 18 to 20 lakh meters. And the knitting capacity, we have around 90 tons a month. We have now dyeing capacity also.
- Rahil S:** Let me, let me put it this way. Combined, as of now combined overall, the capacity you have for each vertical you operate in, what can be your peak revenue potential at maximum utilization?
- Rajiv Lakhotia:** Peak revenue can never be defined with the meters you make. Peak revenue can be defined with the fabric. What are you making? Like if you make the same 20 lakh meters for a luggage segment, it will be INR30 fabric. So it's INR6 crores. If you make the same thing for a nylon fabric, for a different, it will be INR100 fabric. So the peak capacity cannot be defined like this. Peak capacity can be defined with the quantity and it can be different with the different varieties of items we make. But with the same thing, I think with addition of few machines, we can grow double also from here.
- Rahil S:** So if one has to, you know, just get an idea or forecast as to what kind of business you will do in H2 and then in FY '27, how does one sort of figure that out? Is there an order book or is...?
- Rajiv Lakhotia:** We already intimated in that we will be growing at least 25% year-to-year. But after that, whatever is there, that will be good only from that. But minimum 25% we are trying.
- Rahil S:** That you'll achieve this year and the next year also or year-on-year?
- Rajiv Lakhotia:** Year-on-year.
- Rahil S:** Okay. And when you mentioned that, you know, you will be focusing on other products next year, right, apart from the luggage sector, what will these products be, which will help you elevate your margins in like both the half, first half and second half?
- Rajiv Lakhotia:** These will be specialized garments, first of all, where we will be doing some specialized windcheater fabrics, you can talk about rainwear fabrics, you can talk about the fire retardant fabrics. These will be the different sectors we will be doing in. Then there will be, you can say, some umbrella fabrics. We will be entering into umbrella segment this year, which only one or two players -- in fact, you can say one or two players are only doing in India. No one is making umbrella fabrics in India as of now. Then some of the rainwear fabrics we will be doing. So these are the different segments we'll be entering into this year.
- Rahil S:** Okay. And currently on the ground, the demand is very strong. What are the tailwinds supporting your business?
- Rajiv Lakhotia:** The demand is really strong. There is no doubt about that. This is the main favor of the business. And plus the charges have gone so high. I mean, it used to be \$400, \$500 for a hard luggage and where now it's almost \$1,700, \$1,500. So the hard luggage is not at all affordable from China.



So these are favoring us in all the ways. Government policies also, they are wanting not to import fabric from China and from any other countries. So these are favoring us in all the ways.

Rahil S: Okay. And lastly, on a year, overall, like annual basis, is a 12% to 13% PAT a sustainable number for your business?

Rajiv Lakhotia: We are targeting on that only, going further.

Rahil S: Okay. And it's achievable?

Rajiv Lakhotia: 100%.

Rahil S: Given current conditions? Okay. Perfect. Okay. Thank you, sir. All the best.

Moderator: Thank you. And sorry to interrupt, Rajiv sir, your voice was not audible earlier.

Rajiv Lakhotia: Okay. Is it clear now?

Moderator: Yes, sir. Thank you. The next question is from the line of Ashish Soni from Family Office. Please go ahead.

Ashish Soni: Sir, regarding this higher value and higher entry barriers category, which you have mentioned in the press release, how difficult it is for a new entrant to come into this space and how much margin difference from your normal business does this have?

Rajiv Lakhotia: I will not say that it's very easy to enter those businesses, because there are some barriers, means you can say there are only one or two or three players, not even three players, doing these businesses. And if you look just now, there was an announcement that Motilal Oswal invested INR100 crores in a company called Kusumgar. And if I see their PAT, their PAT was almost 30%. So, you can see what the difference of the business and what was the category they are dealing in? And we target to enter in that business, means our focus is to enter in that business only.

Ashish Soni: So, how much is the margin difference compared to a normal business and volume wise and percentage of revenue wise, two, three years down the line, how much you want to capture revenue, overall your revenue wise?

Rajiv Lakhotia: We are targeting to enter in those businesses. We cannot commit anything that how much will we cater in that. But I think we will enter those businesses very soon. And once we enter in those businesses, the margin will also increase rapidly.

Ashish Soni: But do you think it can become 20%-30% of your revenue in two, three years' time?

Rajiv Lakhotia: Yes, in three years, we can -- 100% it will be almost 20%-25% of our business.

Ashish Soni: Okay. And I think earlier there was a release about Walmart, you becoming a Walmart. So, how much you can scale up in two, three years because Walmart is a very big giant in retail life. So, out of your total revenues in two, three years, how much you can scale up with Walmart?



- Rajiv Lakhotia:** So, see, as of now, because of tariff, we are not able to commit anything. But if the tariff goes back again to normal, I think it will be a huge business. I mean, we cannot count on that business. It will be very huge. Not only Walmart, we are targeting for Target also, we have two, three more brands also. So, it can be a huge business. But the tariff should come down. And it will come down. I don't think it will be a problem.
- Ashish Soni:** And this higher value, higher entry barriers, the category of defense, special outdoor equipments. What are our end customers for this product? Can you just give some two, three or at least few names?
- Rajiv Lakhotia:** For defense, government is the end customer.
- Ashish Soni:** Okay.
- Rajiv Lakhotia:** And for the higher value segments, you talk about the specialized garments. These are basically the people who make boiler suit for the export companies, for the oil fields, for the industrial garments who make these things. These are the main customers. For the specialized garments, the jackets, windcheater jackets, these are the main players. The end customers will be like Nike, Jack & Jones, Adidas. These people will be the end customers. It might be we are not supplying directly to them, but they are Tier 1 customers who make and supply to them. These will be the main customers.
- Ashish Soni:** Who are the competitors in this space? Can you just highlight and do you want to capture, are there some Chinese or some other players because of our cost...?
- Rajiv Lakhotia:** China is nowhere in India. China is only supplying fabrics. But that too, also not a very big scale because defense and these companies have a norm that the product should be 80% made in India. So because of these norms, we have an entry barrier there. So we have a winning edge on that.
- Ashish Soni:** But I'm saying, take an example, I think some high end finished goods space, right? So who are the competitors? Again, because you said there are very few players. So do you think you can capture very good market share because of our cost advantage overall because we are backward integrated?
- Rajiv Lakhotia:** Yes, sir. Yes, sir. Because of our backward integration, we have a cost advantage for the same because none of the players are doing edge to edge everything. They are either taking the contract and getting it, contract manufactured from someone else or they are taking the contract and get it from someone else.
- But no one has the edge to edge. But people have it, like Arvind Limited have it. But Arvind is a very big company. Arvind, Garware, they have these things. But keeping their production cost and our production cost, we will be in a very winning edge that we have a very less overhead cost and everything.
- Ashish Soni:** So what is the total addressable market in this space, high end finished goods space, just because I can understand it might be a very global marquee brands, whatever you have indirectly



referenced. So how much will be total addressable market and how much you want to capture only for high end finished goods space?

Rajiv Lakhotia:

If we target only about India, we can see a very big market also, but we are not targeting India, we are targeting global, means around the globe. So if we can target these things, like we have an entry in Walmart already, we have an entry in Target already. So we don't target only India market, we target -- we get all entry in Walmart for the finished goods.

So we can offer them jackets also, we can offer them the other finished goods products also. You can say that it is a very big space where we want to enter not only India. So I don't think so that quantity and quality is an issue there. Just getting the orders and going the flow one by one is the main thing.

Ashish Soni:

No, no, my question was more on you said in your press release boutique buyers and premium segments because profitability is higher. So what is the target addressable market globally for where you want to capture some revenue, right? I'm trying to understand that piece.

Rajiv Lakhotia:

Sir, we are targeting US as of now, US and Europe as of now. And after that, we will be targeting the other countries.

Ashish Soni:

No, but what is the market size where you're targeting this goods? I'm trying to understand that piece.

Rajiv Lakhotia:

Means you are talking about the value of the market right now?

Ashish Soni:

Yes, yes. For only this high end finished goods, which is like premium segment and target boutique buyers, right? Their profitability is higher like you're putting here.

Rajiv Lakhotia:

Combined all the brands, we cannot target about the value of these brands because these brands are so big that you cannot fulfill the orders of one, two brands also. So I cannot tell you 100% about the exact value of the chain, but it can be in multiple of crores. We cannot count that.

Ashish Soni:

Okay, sir. Thanks and all the best for the future.

Moderator:

The next question is from the line of Murtaza from PinPoint X Capital. Please go ahead.

Murtaza:

Hi, sir. Good afternoon. I just had a couple of questions. I would just like you to like further share some insights about the defense, fire resistance and the specialized garment section that we're planning to penetrate. So like currently, in what kind of stage are we? Are we in discussions? Or are we in the trial mode of things? Like, and when can we like, can you please share some insights about this?

Rajiv Lakhotia:

The specialized garments, we are already dealing with some of the brands, means we have done, we have already supplied a few fabrics for Nike, for Jack and Jones and some to the to their manufacturers. For fire-retardant fabrics, we've already done the trial and error for the sampling and some are also in process. I think we have executed one or two small orders also.



And for the defense, we are dealing with the -- we are already dealing with the Tire 2 vendors who are making and supplying to defense, but we are not directly nominated with them till now. We are in the process of nomination. So once we get it through, we'll be directly nominated with them.

But we have already done the R&D and but it's a very big, big segment. So we have like they are suppose 100 SKUs. So we have done 20, 30 SKUs with us right now, and gradually we'll be doing the trial and error because it needs a very hefty amount of R&D also. So as we are growing, we are hiring the talent more and more for that. But we have already hired them and they are in process of doing the same.

Murtaza: Okay. Can you like, please quantify the timeline by when we can expect ourselves to maybe qualify ourselves as a vendor or a direct person to bid in the entire value system?

Rajiv Lakhotia: Sir, we cannot say the exact time, but going ahead in next 2-3 years, we will 100% means try and get our company listed there and start supplying.

Murtaza: Okay. And another question, sir, could you please kind of give us the split of like the revenue in terms of different verticals like you gave like 60%-65% is from our luggage. So like could you quantify the other, the remaining part?

Rajiv Lakhotia: As of now, we are around 50%-60% with the luggage industry. Then we are doing with the inner lining for the leather goods 10% is that, then with 10% is the specialized garments segment, then 5% you can say around that chairs, upholstery fabrics and shoe industry and balance is remaining.

Murtaza: Okay. Okay. This helps. And sir, could you also, could you please share like earlier in the, while answering a question, you did tell that in the second half, we kind of received some subsidies. So could you share some insights a little on what kind the nature of the subsidies were exactly? Does it come in?

Rajiv Lakhotia: These are the general capital subsidies, interest subsidies of the government which we received.

Murtaza: Okay, sir. And lastly, one final question, like as of now, like what kind of utilization are we at for our capacity?

Rajiv Lakhotia: We are around that 80%-85% utilization for our machines. But as I told that it's not the utilization, it's about the product what we make. Like right now we are making the niche, very niche products. So as we grow up in the higher value chain, we can utilize the same machines making the higher products and we can also the lower segment products from outside.

Murtaza: Okay. Okay, sir. And lastly, like for just us penetrating into the specialized garments or the other high barriers, high entry barrier segments, like we already have the capacity in place. We just need to like use the existing facility and we can get that same output, right?

Rajiv Lakhotia: Yes, might be. Suppose we have 10 machines, so we need to buy one, two machines maximum. If we need to buy the rest, we have everything now.



- Murtaza:** Okay. Okay. This helps. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Bhavika Jain from Nivesh. Please go ahead.
- Bhavika Jain:** So the first question I have is regarding your revenue mix. Can you tell me, like because you have a lot of products in your portfolio? So can I know which product have a highest margin and which product contributes more in your revenue mix? And as you are going in more products in future, so which product will contribute a lot in terms of margin? If you can highlight something regarding this?
- Rajiv Lakhotia:** I just told that we have a 55% to 60% revenue from the luggage industry. Then 10% was from the leather goods people who may supply the inner lining for the biggest brands of the world. And then we have 10% in the specialized garments and these other things, and 5% in the chair industry, you can say upholstery, you can say foot mats, like different items are there.
- So there's a basic product mix and we have. And going ahead, I told you we will be entering the different segments and making the luggage segment limited to, and any of the segment limited to not more than 30% of our existing business.
- Bhavika Jain:** And about margins, like what margins you are getting from the luggage one and the upcoming defense one?
- Rajiv Lakhotia:** The maximum are the maximum margin what you see is from the luggage industry right now. And going ahead when we limit the this segment to 30% and take the other segments in house. So as we grow more in the in the different segment or specialist garments or the other Tata Industries, other industries, the margins are much higher from this industry from there. Much higher in that those industries.
- Bhavika Jain:** Okay, that's awesome. Thank you.
- Moderator:** Thank you. The next question is from the line of Sanjay Singh from NB Investments. Please go ahead.
- Sanjay Singh:** Thanks for the opportunity. Sir, this dyeing unit was commissioned in Q1 FY '26. So what is the current utilization?
- Rajiv Lakhotia:** Right now we are almost utilizing 70% or 75% of that unit. And we will come to 100% utilization because we had a holiday of Diwali. So we were not able to commence it 100%. But we'll be utilizing it 100% from December, I think so.
- Sanjay Singh:** But did you mention in answering to a real participant that you're planning for doubling the capacity?
- Rajiv Lakhotia:** Yes, sir. We will plan to double the capacity, because this we have the all the infrastructure we have ready. But we have put the first phase of machine there and we will plan to double it.
- Sanjay Singh:** Yes. Okay, so how much time that would take?



Rajiv Lakhotia: Sir, that would not take too much time if we will plan to do it very soon.

Sanjay Singh: No, you may come in let's say. Let's do it in the next final year. It would take 3 to 4 months?

Rajiv Lakhotia: Yes, sir. Because we have we just need to order the machines. That's everything completed. And machines will get ready only. They don't take too much time to do it.

Sanjay Singh: Now, once you start this dying unit, you had mentioned in your earlier calls that EBITDA margin should go up. Now, if you see H1, comparatively, the margins are down. So is it because this unit you get to stabilize? That's why...

Rajiv Lakhotia: Yes, sir. I'll just explain, because we are like I told in the call right now that dying unit just started and we had achieved the 70% digitally. But actually, with the talent what we have hired, they are capable to make something very big. But right now we are telling them to repair. They are able to make a Mercedes.

Right now we are telling to make a make a market with them. So as they start making the higher product, the margin will gradually increase. And the machines also, when the machine starts, we cannot take directly the high end product or the people also who are going to we need to have the certification.

Right now, we are going for Oeko-Tex, for GRS. So we need to the factory has just started. The license is yet to come. So we have to take all the certifications for the factory. Then we can get those high end business in that. And we are on it. So very soon we'll get all those certifications and then those business will get in.

Sanjay Singh: Okay, so my second question is like as and you have to do future any capex, I know not for dyeing, you said already infrastructure is developed, but for any other, stitching or weaving or all that, do we have a spare land for future capex?

Rajiv Lakhotia: Yes, sir, we have just beside our dyeing factory, we have a huge land there also. And I don't think that means we have huge land capacity built in the factory. Just the construction needs to be done and that we are ready to go.

Sanjay Singh: So whatever the growth your targets you have in mind, so for that for next 5 years, you have the sufficient land bank to take care of that?

Rajiv Lakhotia: Yes, sir, we have plenty of land for us. That is not a problem.

Sanjay Singh: My second question is the sales target that you had given in the earlier calls, you had mentioned for let's say FY '26, around INR220 crores to INR240 crores and '27 was INR280 crores to INR300 crores. But now you are giving around 25% CAGR, which is relatively less than what this earlier target. So just wanted to know which one is more achievable...

Rajiv Lakhotia: And if you see the H1, you can get everything.



Sanjay Singh: H1, I think from that it looks INR220 crores to INR230 crores should be possible in this year. But the subsequent you had given INR280 crores that you have given less. So that's why I'm asking that?

Moderator: Sorry to interrupt. The line for Mr. Rajiv has been disconnected. Please stay connected while we join them. The line for Mr. Rajiv has been connected. Thank you and over to you.

Rajiv Lakhotia: Disconnected. Yes. And I was answering the call. Like you can see the H1, it's already at INR107 crores. So you can get the S2 yourself. So I don't need to say anything.

Sanjay Singh: Agreed. That I agree. 26 is achievable. But what I was asking is 27?

Rajiv Lakhotia: It will be 100% achievable. I don't think so that we need to say anything for that.

Sanjay Singh: Okay, fine. So my third question is what do we do with the boutique factory at Noida? What is the activities we do there?

Rajiv Lakhotia: Basically, it's a like you told it's a boutique factory. So we are trying to make the best of the product because we don't get the talent easily hired in Surat. So we have made that factory to make some exclusive products, which we can target the good brand because at start the people don't try to come to Surat directly, like a Walmart buyer, they will not come directly to Surat.

So we have just presented a small factory for showcasing our talent there. And once the buyers are through, we might take all the production to Surat back again. So this is the factory to show our talent basically.

Sanjay Singh: Okay, so factory means what facilities does it have?

Rajiv Lakhotia: There's a small seating unit, it's a 10,000 square foot factory. And it has a small showroom out there. And some sampling people are 10, 15 sampling people out there and some 50, 60 machines.

Sanjay Singh: Okay. Sir last question is this solar power we have installed. So as of now, how much is the capacity and are we going to increase the investment in that?

Rajiv Lakhotia: Right now, we have a capacity of around 2 megawatts approx. And yes we are trying to increase that because we need to get the final output of our electricity supply in the dyeing factory. And once we achieve that -- know that because we are allowed to only consume 65% of the electricity. So once we know that, we are planning to install one solar for the dyeing unit also. Because it is helpful not only for the electricity part, cost saving also it's helpful for the certifications also and the brands prefer to be carbon free and we get the carbon free points also for that.

Sanjay Singh: Okay, so my last question is the promoters holding, there is small reduction in April compared to March, this one. So was it any reason? Was it there or anything it is just for?

Rajiv Lakhotia: No, I don't think so there is a reduction. In fact, we have increased. Okay, I understand because there was a preferential allotment that time in April.



Sanjay Singh: Okay.

Rajiv Lakhotia: So what happened, we had done a convertible warrant out there. In fact, our equity have increased only because our warrants are yet to be converted to the equity. So this will increase by 4%, 5% means we will be already at 73%, 74%. It will be increasing by 5 percentage you think so when these are converted.

Sanjay Singh: Okay, so that is basically for the preferential. But sir, the question is, in spite of having raised the money through preferential, the debt has gone up to, whether you are yet to receive the amount or you have utilized this money for some other purpose?

Rajiv Lakhotia: The debt has not gone up, I think. The debt is the same. We have not increased any means for that debt out there. It might be that means the promoter money is yet to pump in because there is a depth of the promoter money which is converting to the equity. Yes, I don't think so. Arbind ji, Arbind ji can answer this question.

Arbind Lahoty: Yes, sir, I think there is some mistake debt is not going up. Already, if you see from 31st March 2025 as on 30th September 2025, short-term borrowings also reduced and long-term borrowings also have reduced.

Sanjay Singh: Okay, so after receiving the whatever the remaining money, it will go down further.

Rajiv Lakhotia: Yes, sir, we are already paying every month, we are paying the term loan also and everything is reducing. We are almost paying 40-50 lakhs every month, Arbind ji, for the term loan.

Arbind Lahoty: Yes, near about 30 lakhs. And also, there is pending the convertible warrant. So, near about INR18 crores which will be converted to equity of promoters unsecured loans. So, in coming, I think in coming one year, we have one year time.

Sanjay Singh: Okay. So, the debt would not go up at all.

Management: No, sir.

Sanjay Singh: Okay, since Arbind sir has come, sir, one small information, what would be the tax rate for FY 26 and 27?

Arbind Lahoty: Approx 26% by the government only.

Sanjay Singh: So, whatever is the 25% plus the surcharge, we don't have any other benefits in that?

Arbind Lahoty: No, sir.

Sanjay Singh: Okay. Thank you very much.

Moderator: Thank you. The next question is from the line of Prabal Jain from SM Holdings. Please go ahead.

Prabal Jain: Yes. Hi, good afternoon. First of all, thank you for hosting this call and we expect that we'll get to hear from you more in the coming time. So, my first question is, I wanted to understand more



the nature of our revenue. So, as I understand from previous participants on the call, 57% of the revenue is coming from luggage and the rest is coming from some other products and we have a lot of products.

So, what kind of contracts typically do we have? Is it based on like project-based, like every quarter or half year they place revenue for the number of units? So, the nature of the contracts and the pricing typically, like because you have guided for the maintaining or like taking the gross margins to 30%, do you in your nature of contracts have the escalation clause to pass on the increase in your RM cost? I just wanted to understand this whole entire contract?

Rajiv Lakhotia:

Sir, first of all, what you told that we have guided for the 30%, I'm sorry, but I never guided for 30% that the gentleman asked me that what is the highest level of revenue with the people get and the highest level of PAT for the people get in this different segments. So, I just quantified that this is the main player who is doing that.

He is there and regarding our contract, what we have. See we generally get a prediction of next 3 months to 6 months from these brands, whatever they order plus because we are dealing with them from so long, from last 20 years or 10 years. So we already know that what they need and how they need.

So, before they give us the prediction, we already plan for the same and because these items are same we keep a ready stock for all these items in the same fabric, what is used inner lining for a garment, for just need a different value addition on that, it becomes a rainwear fabric, just in a different valuation, it becomes a luggage fabric. So, we keep the raw fabrics ready and as we get the orders, we keep supplying them, but we have a prediction of 3 to 6 months for all the orders.

Prabal Jain:

So, that is on the demand, but what on the pass on thing like of your raw material cost and escalations and like how do you figure that out?

Rajiv Lakhotia:

Sir, I did not exactly get your question.

Prabal Jain:

So, you are procuring yarn from outside, right?

Rajiv Lakhotia:

Yes, the yarn and chemicals are the outside segments, rest we have everything in house.

Prabal Jain:

So, what happens like if there is a lot of volatility in those prices, like prices change up a lot?

Rajiv Lakhotia:

If you see from the -- I can give you data of last 20 years from when I am working. So, the yarn has maximum gone means up 5% to 7% fluctuation from there and once it was 10%. So whenever there is a fluctuation, the prices, the garment, people are, I mean, these people also get updates from Reliance directly.

They are not dealing in yarn directly but they get updates from all these companies, get an update and whenever there is something like that, they are always ready to listen to us and change the pricing accordingly, but up to 5% we also do not ask them and they also do not ask us because yarn, because see yarn all means yarn components only 13% of all our production. So, if we convert it to the finished goods, it is not very big.



- Prabal Jain:** Okay. And sir, by the way, on Slide 19, you have mentioned way forward margins directly, gross margins greater than 30%. I understand by the next 2 years, 3 years, you are guiding for new product yarns to take up and maybe you are guiding it at a blended level of the total company level?
- Rajiv Lakhotia:** I again say that I never told 30%. I told that 30% is for that company who is making, who is doing only defense. And as you gradually go up.
- Prabal Jain:** I am talking about your deck, it is mentioned in your deck, Shree Karni's platform page, Slide 19, it is mentioned in your PPT?
- Rajiv Lakhotia:** What is it mentioned, can you tell me?
- Prabal Jain:** Gross margins greater than 30%.
- Rajiv Lakhotia:** It is gross margins you are talking yes gross margins we are targeting on that. I thought you were talking about PAT I think. But gross margins we are targeting on that, but I was talking about the PAT.
- Prabal Jain:** My second question is more on qualitative nature. So recently we saw that you are approved vendor for Walmart. So just want to have a qualitative color on are you talking to any global these giants, mentioned target and all those? Is there any evaluation going on, anything in the final stages? And what kind of offtake agreement do you have with Target like, sorry, this Walmart? I mean, what kind of numbers or colors on KPI we can expect? Like, what is the scale at which this will happen?
- Rajiv Lakhotia:** So, you see, they do not give entry to these, these entries, these giants basically do not give entry so far. But we got ourselves on board with them in only 6 months from starting the factory. And now, beyond Walmart, we also have Target in our kitty. We got the vendor code for them also.
- So, being nominated by Walmart and Target themselves, we will have all the, means many more brands in our kitty that will not, that will be very easy to get other brands. And regarding the volume targets, we think this year we will, means next year we will have almost 20% of our business with these brands.
- Prabal Jain:** Next year at a total top line level, 20% of the business would be with these brands?
- Rajiv Lakhotia:** I think, yes, we are focusing to increase the value, I mean, with these brands. Might be it Finish Goods or might be it the raw metal of these brands to the other factories what they are making.
- Prabal Jain:** Okay, great, great. All the best. Thank you so much.
- Rajiv Lakhotia:** Thank you, sir. Yes. Thank you.
- Moderator:** The next question is from the line of Ashish Soni from Family Office. Please proceed.
- Ashish Soni:** Sir, you said the doubling of capacity. So, how much capex will be required and how much time for implementation for that capex?



Rajiv Lakhotia: You mean for the dyeing house?

Ashish Soni: I think you mentioned doubling of the capacity, right? I don't know...

Rajiv Lakhotia: Sir, I mentioned about doubling the capacity of the dyeing house, right? I mentioned doubling the capacity of dyeing house.

Ashish Soni: Okay.

Rajiv Lakhotia: So, the infrastructure is already ready for the same. We don't need to have any more construction for that. Just the machines have to be installed and those machines will be around time CR. And we have the loan sanction for the same. And there is one more big thing. We have a good subsidy also on the same. So, that is the thing.

Ashish Soni: Okay. And tariff impact, how much of your business was impacted by tariff permanently, temporarily? Can you give some idea, just a ballpark number? Because...

Rajiv Lakhotia: We already had a big chunk of order in our hand. So, as of now, the business was not impacted because we already had December -- till December orders we have in hand for the finished goods unit. And I think so that the tariff war will end by this month only. And we are in talks for big orders.

So, as soon as it comes, we will be booking orders till April -- March, April also. So, let's see what happens after 10 days. But till now, the business is not impacted very big. Yes, it is impacted with some of the some margins, but it is not impacted production wise.

Ashish Soni: Okay. And you said in last participant question that almost 20% of revenue from Walmart Target. So, are you sufficiently capacity wise there because their volumes might be used? So, are you sufficiently ready for capturing that internally as well talk about...?

Rajiv Lakhotia: Till the -- volume, we are talking till now. We are ready with that capacity because Walmart has already done their factory capacity and compliance audit. So, we don't tell anything about it. So this is already done. So, till here, we are done with that. We have the capability.

Ashish Soni: Another thing you spoke -- yes, so you spoke about some low end or low margin work to be outsourced. So till what peak revenue you don't need to expand your own capacity and how much out of suppose you're earning suppose INR300 crores next year as an example. So, how much you can outsource and how much you want to do in-house? Just give us a broad overview of how you are thinking?

Rajiv Lakhotia: Actually, we target to do in-house with the existing capacity only. And we don't target to increase more of the capacity of the weaving or knitting as of now. If we increase also, we will increase the high end machines which we will be needing for defense or something else. But right now, up to INR300 crores, I think we have the sufficient capacity with the contract manufacturing we are getting done outside. We don't need to increase too many things for up to INR300 crores.

Ashish Soni: Okay. So, basically you are saying INR300 crores, your existing setup will be good enough. So after INR300 crores you might...



- Rajiv Lakhotia:** Existing setup at the contracted manufacturing, what we have outside. So, we don't think that we will be needing anything too much for the -- to achieve these numbers at least.
- Ashish Soni:** Okay. So, but after like FY '28 onwards, you might require some capex for high end machines. Is that assumption correct?
- Rajiv Lakhotia:** Yes, as we enter in those business, but not very big because you can say that almost 80%-90% we have. If suppose we need to do something, we will replace our old machine because the first machines will be old. So, we can replace our few machines with the high end machines and get the local business done outside also.
- So, we will not target about the new buildings and everything. We will just target about this, means we have the land already ready. So, we can target about getting a few machines to achieve those things. Rest we can do in-house also and without...
- Ashish Soni:** Okay. How much percentage of your revenue are comfortable outsourcing, like, can you give us number like 20%, 30% something of that sort you are comfortable outsourcing to other third-party?
- Rajiv Lakhotia:** Sir, basically, it's not outsourcing. These are the contracted manufacturing the factories which are working only and only for us exclusively, and they don't let anyone else enter also. So, these are our partner factories only. So, we can call it our factory as well. So, there is no limit that how much we can go out there in in-house. But we -- as we grow, we can target about 20%-30% from outside and achieve the major things in-house.
- Ashish Soni:** Okay. Thanks and all the best for future.
- Rajiv Lakhotia:** Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Mehek Jain, an Individual Investor. Please go ahead.
- Mehek Jain:** Hello. Hi. I hope I'm audible.
- Rajiv Lakhotia:** Yes.
- Mehek Jain:** So, I just wanted to know that in one of the previous presentations, you've mentioned that the company has planned to diversify in another raw materials beyond polyester like nylon and cotton. So, what is the expected demand impact and how are you seeing this diversification to be on the positive side of the company and how it will contribute more towards your growth?
- Rajiv Lakhotia:** See, as we told, nylon almost costs double of polyester. So, as we grow in nylon and we make the same fabric, suppose we are making 10 meters of nylon and 10 meters of polyester, the revenue goes double in nylon and the customer also changes. Like these are the local customers who are buying polyester.
- Suppose we go in nylon, the customer goes to the high-end customers, it becomes directly Samsonite or it becomes directly Defense or the other brands of the world around the globe. So,



those will impact the -- I mean, have a good impact on the margins also. And regarding cotton, we are not going to weave cotton right now.

We are targeting to dye it in-house and because we have an old setup of the customers who are making dust bags and other cotton bags and exporting that. So, we will be targeting to get cotton dyed in-house, printed in-house and make bags and supply it to the various brands around the globe. So, these will have a good impact on the margins also.

Mehek Jain: Okay. And any plans to diversify in any other raw materials or from the cost side or something?

Rajiv Lakhotia: Means you are trying to ask any other raw material we will be doing other than polyester and nylon cotton?

Mehek Jain: Yes, to diversify in other raw material segments.

Rajiv Lakhotia: In fact, polyester and nylon is such a huge business. Only polyester and nylon can be multiple of crores, means you can say more than INR1 lakh crores industry in India. So, we can -- first we need to target the main focus business of what we have. Then we can see after going ahead, after 2-3-4-5 years, we can think about anything else.

Mehek Jain: Okay, and also you said that 20% of the company is planning to incorporate from recycled pet yarn. So, how are we going to resource them or how is the product being utilized?

Rajiv Lakhotia: We are already doing almost 10% of our business in the pet, in the recycled pet items. Means we directly buy the recycled pet yarns from the yarn companies.

Mehek Jain: Okay. Then one more question I just wanted to know from the defense side. Like the company has already started, like, to supply the defense graded fabric to one or two small vendors. So, are there any certifications required and if required does the company have the certifications and how are we planning to foray in this particular segment again next to 1 or 2 years? How can we see this segment to grow from the company's perspective?

Rajiv Lakhotia: The segment is very huge and from the company perspective, we are in connect with the officials and everyone to give us an entry, but there is a barrier because only 2-3 players are in that. So, I think once we are through with the right connect, it can click anytime, but we cannot say the exact time of that. But we are on it, I can tell you.

But we -- and we are developing the products till that time. So, both things can consume means simultaneously work that the product is developed and we get the entry also. So, we are doing that.

Mehek Jain: Okay. And on the certification side?

Rajiv Lakhotia: There are no very big certification. There are a few certifications like there are you need to have a minimum of turnover. You need to have these factories. We have everything in-house. Just they need to have an ISO.



We have the certification, but there are some certifications they approve like the CSD supply. So, CSD approves the factory. So, once we are through with the products and once, they start giving the CSD certification, we will apply to them. That will not be a very big issue.

Mehek Jain:

Okay. Okay. Okay. Done. Thank you so much guys. That's all I have.

Moderator:

Thank you very much. Ladies and gentlemen, due to time constraint, that was the last question for today. I now hand the conference over to Mr. Rajiv Lakhotia for closing comments.

Rajiv Lakhotia:

Thanks everyone for joining and we look for a very good future ahead for SKFL and see you in the journey of SKFL. Thank you.

Moderator:

Thank you very much, sir. On behalf of Shree Karni Fabcom Limited, that concludes this conference. Thank you for joining us today and you may now disconnect your line.