

ANNEXURE A



“ECOLINE EXIM LIMITED H1 FY '26 EARNINGS CONFERENCE CALL”

November 14, 2025



**MANAGEMENT: MR. SAURABH SARAOGI – MANAGING DIRECTOR –
ECOLINE EXIM LIMITED**

**MODERATOR: MS. BHUMIKA MAHESHWARI – HEM SECURITIES
LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Ecoline Exim Limited H1 FY '26 Earnings Conference Call hosted by Hem Securities. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Bhumika Maheshwari from Hem Securities. Thank you, and over to you, Ms. Maheshwari.

Bhumika Maheshwari: Thank you, Renju. Very good afternoon, ladies and gentlemen. Thank you for joining Ecoline Exim Limited half year ended 30 September, 2025 earnings call. Joining us on the call today from the management team are Mr. Saurabh Saraogi, Managing Director. We will now commence the call with opening thoughts from the management. To switch, we will open this forum for a Q&A session where the management will be glad to respond to any queries that you may have.

Before we go on to the main call, I would like to read the standard disclaimer. There may be forward-looking statements about the company and the subsidiaries which are based on a belief, opinion, and expectations of the company's management on the date of this call. The company does not assume any obligation to update their forward-looking statements if those beliefs, opinions, expectations, or other circumstances should change.

These statements are not guarantees of future performance and involve risks and uncertainty that are difficult to predict. Consequently, listeners should not place any undue reliance on such forward-looking statements.

With this, I now hand over the call to Mr. Saurabh Saraogi, Managing Director, Ecoline Exim Limited to take it forward. Over to you, sir.

Saurabh Saraogi: Good evening, everyone. Thank you for joining us today. On behalf of the management of Ecoline Exim Limited, I, Saurabh Saraogi, extend a warm welcome to all our investors, analysts, and stakeholders.

Let me begin with a brief introduction. Ecoline Exim Limited was incorporated in 2008 and converted into a public-limited company in 2024. It has grown into India's largest manufacturer and exporter for cotton bags, jute bags, sustainable textiles, and eco-friendly packaging solutions.

We operate from strategically located facilities across West Bengal and Gujarat, enabling us to tap into the jute cluster in Bengal and the textile ecosystem of Gujarat. Over the years, we have built a strong, global, compliant ecosystem backed by certification, including Watts, GRS, OEKO-TEX, Fairtrade, FLOCERT, BSCI, FedEx, Meta, ISO 9001, 14001, along with Authorized Economic Operator-Tier 2 and 3-star export house recognition.

This has enabled us to serve 80-plus customers across more than 30-plus countries, including USA, on the operational strength and product and expansion of the company. Our portfolio today spans; cotton bags, organic, recycled, Fairtrade bags, jute bags, aprons, and the new high-potential segments, such as polyester bags, backpacks, hand towels, and caps.

To meet the rising global demand, we are executing a structured, multi-layer capacity expansion plan. We are coming up with our Factory 4, situated at Badu, Madhyamgram, West Bengal, with a new 40,000 square feet of area, and a 20,000 square feet of corporate office, adding 12 million units annually, which will become operational in the last quarter of this financial year, '25 '26.

Factory 5, which will be coming up in Bagodara, Ahmedabad, the ground-breaking ceremony has been done, and construction will begin in December, with in-house weaving capacity of about 20,000 meters a day, and 40 million units of capacity of bag, with the trial production commencing in January 27.

We are also taking up a new workshop in Calcutta, with about 25,000 square feet, which will be adding 8 million units, and will be operational from December 25. With these additions, our in-house capacity is projected to scale from 45 million units in financial year '25, to 65.5 million units in financial year '26, and further to 105 million units in financial year '28.

The market tractions and orders continue to drive our growth, and accounts to nearly 100% of our revenue. We have recorded a strong action traction in the three markets. The orders from USA have currently jumped up by 25%. Orders from Japan are more than 55% up, and we have recently got first-time orders from Latin American countries.

Recent shipments of ours include hand towels and polyester bags. Our current confirmed order book stands at INR101.89 crores, supported by long-standing repeat clients and new strategic relationships.

Financial health of the company, in H1 financial year 2026, we have delivered a stable performance. The revenue stands at INR143.84 crores, EBITDA at INR19.66 crores, EBITDA margins at 14.12%, PAT margin at INR12.91 crores, and PAT margin percentage stands at 9.27%.

We remain effectively debt-free, and with improved working capital management, our operating cash flow has also increased to INR56.17 lakh, compared to a negative position in the previous period.

Raw material formed around 54% of our revenue, and we continue to optimize procurement through vendor diversification, strategic stocking, and backward integration by the upcoming weaving capacity in Ahmedabad. Trade costs are being contained to better planning, and our Western India expansion, which will significantly reduce the logistic cost and the lead time.

The overall outlook for the next 36 months are expected to be transformative for Ecoline. Our growth will be driven by expanded manufacturing scale, entry into high value product categories, rising global demand for sustainable and certified packaging, in-house weaving, which will enable us to reduce the raw material cost and also material dependency on vendors,

broader market reach across US, Japan, Europe, Latin American countries, and also CIS countries.

Margin enhancement through operational efficiency will also help us to clear the roadmap, along with strong fundamentals, we remain confident of delivering sustainable, scalable, and profitable growth.

We thank you once again for joining us. I would now request the operator to take this forward. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. The first question comes from the line of Tanvi, an Individual Investor. Please go ahead.

Tanvi: Sir, I just want to know what is your guidance for the current financial year, given that you reported almost flat set of numbers for the half year in September 2025? Also, is there any seasonality in your business?

Saurabh Saraogi: Sorry, I'd like to start by saying that the numbers are not flat. We have to understand in the first two quarters or the H1, we had not increased our production capacity and still we managed to scale up by 8% to 9% in our revenue. And in the last quarter of this financial year, we will be adding up a big chunk of production capacity, which would help us to increase our sales roughly by 15% to 20%.

So, this financial year, we'll be ending up in a positive note to expected turnover of around INR320 crores. And that would also help us to increase our PAT margin to the range of INR22 crores to INR24 crores.

Tanvi: And so, just a follow-up question, what is the current order book in your order conversion cycle, given you had recorded, you reported an order book of INR88 crores at the time of IPO?

Saurabh Saraogi: Yeah, now ma'am, our current order book is roughly INR102 crores.

Tanvi: Okay, so the order inflow, what has been the order inflow in the last six months?

Saurabh Saraogi: Ma'am, I think it is grown up by 20%.

Tanvi: Okay.

Saurabh Saraogi: I would not have the exact data figures in my hand, but we have seen a growth of about 20%, compared to last financial year.

Tanvi: Okay, okay. And sir is there any seasonality in your business?

Saurabh Saraogi: No, madam.

Tanvi: Okay and sir just one question, more. So, the new plant that you're talking about, so what is the peak revenue capacity from that unit?

- Saurabh Saraogi:** Ma'am, in terms of quantity, when I said it is roughly about 12 million pieces, which would account around 15% of our total revenue. I'm talking about the capacity from Unit 4, which is almost under completion, and we will be starting our trials in mid-December. So, that could add up about 15% minimum into the next financial year, and also partly in this year, in the current financial year.
- Tanvi:** Okay. And sir do you plan to enter the domestic market, given currently you are only into exports?
- Saurabh Saraogi:** Ma'am, till the time we have more capacity, we would not be in a situation to enter into the domestic segment, because we have huge demand from our export orders, and we need more capacity, which we are currently building up. Once we come up with the Ahmedabad plant, definitely we'll be entering into the domestic segment as well.
- Tanvi:** Okay. And what's the current capacity utilization?
- Saurabh Saraogi:** Ma'am, it is more than 95%.
- Tanvi:** Okay. Okay. And what percentage of revenue comes from USA?
- Saurabh Saraogi:** Ma'am, in the last financial year, the total revenue was just 7.5%. We are very well diversified into multi-countries and multi-clients. We do not depend on certain country and a certain client. So, that has been the policy since inception. So, that's always adding as a cushion to us.
- Tanvi:** Okay. Okay. Okay, sir. And just last, sir what is the current market share? You'd earlier reported a 4.5% market share. So...
- Saurabh Saraogi:** Ma'am, I would not be having the updated figure, but yes, that was the latest we have, 4.5%. And supposedly, we are India's largest for at least the cotton-bag segment.
- Tanvi:** Okay. Okay. Okay, sir. Thank you. I'll join the question queue.
- Saurabh Saraogi:** Yeah.
- Moderator:** Thank you. Next question comes in the line of Nimish Soni from Cernelian Capital Asset Management. Please go ahead.
- Nimish Soni:** Hi. My first question would be about margins. Like currently, in this H1, we have 9.27% as our PAT margin. But given the new capacity additions and potential operating leverage that we are targeting, then what would be the approximately margin that we could have in FY '27 and FY '28?
- Saurabh Saraogi:** Sir, in FY '27-'28, we are definitely looking at a PAT margin of say about 11% to 12%. But then the revenue is also expected around INR600 crores. So, that would make a very big impact.
- Nimish Soni:** Understood. Understood.
- Moderator:** Mr. Soni, are you done with the question?

Nimish Soni: Yeah, yeah. I'm done. Thanks.

Moderator: Thank you. Next question comes in the line of Ridhi Agarwal, an Individual Investor. Please go ahead.

Ridhi Agarwal: Thank you for the opportunity. I have question on my mind. First of all, at the peak utilization today, so how are you managing your orders? Are you turning away the business because the new capacity, the factory force, when it will also, when it will be operational and when can we expect the revenues to come from that?

Saurabh Saraogi: Ma'am, we will definitely be expecting the operation to start in January with the trials beginning in mid-December this year. So, we will start getting the revenue from the last quarter of this financial year.

Ridhi Agarwal: Last quarter of the financial year. Okay. So, that actually continues my question that right now at your peak utilization, how you are managing your orders? Are we seeing some decline in the demand from outer countries or how you are with 90% or 90% utilization you are working at?

Saurabh Saraogi: Madam, let me make it clear ma'am. When we are talking about capacity utilization, our work - a lot of thing depends on the human workforce. In our line of business, you cannot expect more than 95%, because it is highly dependent on the labor workforce.

Secondly, we are giving goods for outsourcing as well, which is actually adding up to our capacity. But, we do control the major part of the production in-house. So, that is the key. Even if you consider it's a very good proportion of percentage that we are covering up.

Ridhi Agarwal: Okay. Fair enough. Next question would be on the capex plan. So, how -- can you specify the total capex plan for this leasing unit?

Saurabh Saraogi: Ma'am that the Ahmedabad factory 5 that we are talking about, the estimated capex is roughly about INR65 crores to INR70 crores.

Ridhi Agarwal: And all of the capex has been utilized or are you planning to take debt or using IPO funds to fund this?

Saurabh Saraogi: Ma'am, we do not plan to take any debt as of now and we will be utilizing our internal accruals as well as the IPO proceeds for the same.

Ridhi Agarwal: IPO proceeds. Okay. Sir, my last question would be on the margin profile. So, very well enough you have just give the guidance on in the first question itself. But, I would like to know the margin profile on the product basis. Like, what is the margin profile from jute bag, recycled cotton, something like that? So, that we can have an idea and anything product line you are expecting like you have mentioned that you will be expanding into polyester. So, are we expecting good margin from that product?

Saurabh Saraogi: Ma'am, polyester is a segment that is very easy for us to market, because our customers are the same. And just we need to -- and even in manufacturing side, we do not need too much of extra machinery. The machinery line and everything is also very similar.

And the best part is that these polyester fabrics are currently made in Surat. Our plant in Ahmedabad is very, very close to Surat. And this will enable us to definitely create much more revenue for us at a very faster speed.

And that would definitely help us to enable better margins. But, I would not say that in the first financial year, it would be a very big change in the margin. Gradually, in the next one year or so, we will start seeing the improvement in the margin levels. Because whenever you are starting something, it is always a little difficult and tricky.

Ridhi Agarwal: Yeah, sure, sure. Obviously, to enter into a new product segment, it would happen. Okay, thank you so much. I would join the queue for my follow-up questions. Thank you.

Saurabh Saraogi: Thank you.

Moderator: Thank you. Next question comes from the line of Nikunj Sutriya from Carmelian Capital Asset Management. Please go ahead.

Nikunj Sutriya: Hi, sir. Since you are a 100% export-oriented unit, so how do you manage currency risk for the export process?

Saurabh Saraogi: Sir, we have a certain hedging policy where we hedge our foreign exchange to protect us. Now, that is not a 100% hedge, but it is to the tune of 40-45%.

Nikunj Sutriya: Okay, sir.

Moderator: Mr. Sutriya, are you done with your questions?

Nikunj Sutriya: Yes.

Moderator: Thank you. Next question comes from the line of Tanvi, an Individual Investor. Please go ahead.

Tanvi: Sir, I would just want some more details in terms of your capacity. So, if you just look at the current capacity and the capacity would be 8 million units that will be added from the Calcutta facility and Ahmedabad factory would be adding another 39 million bags. So, what will be the total capacity it will take to say after two years, FY '27? And what is your current capacity?

Saurabh Saraogi: Ma'am, in Calcutta, we are actually coming up with two plants in the month of December. So, in the next financial year itself, we are adding from factory 4 Madhyamgram unit, we are tentatively adding say 12 million to 14 million and the Factory VI that we are looking at Calcutta would be adding about 8 million.

So, we are tentatively increasing around 50% of our capacity in the next financial year itself. And we aim to get to a level of 65 million by the next year. And give me a moment. And by the financial year 2028-2029, our target is to get to 110 million bags per year.

Tanvi: So, just to add more clarity, so what is the current capacity?

Saurabh Saraogi: Ma'am, our current capacity is 45 million.

Tanvi: Okay. So, and the unit that will start operation and trials in January, that will generate 12 million to 14 million pieces?

Saurabh Saraogi: Yes, from one of the units. So, we plan to add technically 20 million bags in the next financial year to our capacity.

Tanvi: And that will maybe start by end of FY '27?

Saurabh Saraogi: No, we start from January this year. So, in the last quarter of 2026-2027. So, in the next financial year, we will utilize that 20 million of additional capacity.

Tanvi: Okay. And Ahmedabad plant will then add?

Saurabh Saraogi: We'll not add anything in the next financial year, but going forward, yes. -- Yes, ma'am.

Tanvi: Okay. Okay. And so, just one more thing. You have in the starting call, you've given a margin guidance of 20% roughly. And then you said after two years, the margins will come down to 11%. Is that the correct understanding?

Saurabh Saraogi: Sorry, when did I say 20%, in what thing, ma'am? Can you clarify once again? I said my PAT was 9.27%.

Tanvi: Okay. Okay.

Saurabh Saraogi: Our current PAT is 9...

Tanvi: So, what will be the PAT margin for this -- the PAT margin for the current year?

Saurabh Saraogi: I am looking somewhere around -- this financial year, we are looking somewhere around 10%, 9.7% to 10%.

Tanvi: Okay. And gradually, it will scale up to 11% as you scale up?

Saurabh Saraogi: Gradually, in FY '28-'29, we are looking at 12%, 12.5%. Okay.

Tanvi: Okay. Got it.

Moderator: Are you done with your question? Okay, please go ahead.

Tanvi: Just one more question. Sir, do you have any dependence from China in terms of any of the raw materials there?

Saurabh Saraogi: No, ma'am. Majority, I would say 96%, 97% of our raw material is out of India.

Tanvi: Okay. It's sourced from out of India? From which countries if not China?

Saurabh Saraogi: No, I said is from India. Nothing is sourced out of India.

Tanvi: Okay. Okay. Okay. Got it. Got it. Okay. And so, just one more thing. You also said that, you know, you will be using your IPO proceeds. So, even for the further capex, you will be doing it through IPO proceeds only?

Saurabh Saraogi: Yes, ma'am. We will be using the IPO proceeds and the internal accrual of the company, the profits that the company is making and generating.

Tanvi: Okay. And what kind of fixed assets would we be able to see, say, in the next two years, given you almost have a plan?

Saurabh Saraogi: Ma'am, we have the plant in Ahmedabad is a big chunk of land with expected around 300,000 or 400,000 square feet of constructed area. So, that is going to be the real asset in terms of fixed assets which we are talking, plus the plant's machinery -- plus the machinery separately.

Tanvi: And how much capex will be done from the Calcutta plant, and which we could see in the balance sheet probably by March 20?

Saurabh Saraogi: Ma'am, the capex in the Calcutta plant would not be of a greater extent because that area we are taking on rent. So, that we expect something around maximum to the tune of INR10 crores.

Tanvi: That will be added?

Saurabh Saraogi: Yeah, in this financial year.

Tanvi: In this financial year only? Okay. Do you have any plans to repay your borrowings, given you have such a capex plan?

Saurabh Saraogi: Ma'am, we do not have borrowings, ma'am. I mean, we just have the limit, export credit limit from the bank. There is no other borrowings in our company.

Tanvi: Okay. Okay. So, as on September 2025, the borrowings that are shown, these are basically your limit on which you are paying interest?

Saurabh Saraogi: Correct, ma'am. And we, in fact, are having a lot of fixed deposits or the reserves which are there for the capex to be made.

Tanvi: Okay. Okay. So gradually, we will be seeing this other income, which is a substantial part of your P&L as of now. Almost it accounts for like good 30%-40% of your PAT. So, we will be seeing that coming down as you make your capex.

Saurabh Saraogi: Can you come again, please? I missed that point.

Tanvi: I assume your other income is from interest income from these deposits?

Saurabh Saraogi: No, no, ma'am. No, no, no. It is not the other incomes. The other income includes foreign exchange gain loss, sampling costs recovered from customers, duty, export benefits from the government. The interest cost, interest income would be marginal, in my opinion.

Tanvi: Okay.

Saurabh Saraogi: Okay.

Tanvi: Because that...

Saurabh Saraogi: Yeah, please come again, ma'am.

Tanvi: How sustainable is this? So, in September 2025, you roughly reported a other income of IRN5 crore. So, how sustainable is that number? Or is there...

Saurabh Saraogi: Ma'am, because there would be about INR2 crores of foreign exchange gain loss, then there would be around INR2 crores -2.5 crores of government incentive of duty drawback, ROSTCL or something of mixed composite. And say about INR75 lakhs or 1... Approximately 70-80... Approximately... Yeah, around about that figure of interest or other incomes.

Tanvi: Okay. Okay. Got it. Got it. Thank you so much. And sir, one more thing. Last year, we saw a reduction in your fixed assets in the financial that you submitted for IPO. What was the reason?

Saurabh Saraogi: Sir, I'm sorry. Can you come again? Your voice is actually not very clear to me.

Tanvi: Sir, earlier we had seen a reduction in your fixed assets in the balance sheet that you had submitted in the RHP.

Saurabh Saraogi: Ma'am, that reduction must be because of the depreciation. We had not added much of the fixed assets in the last financial year. So that could be the reason behind it. It is not actually a reduction-reduction. It is a depreciating value. That's the reason behind it.

Tanvi: Okay. Now, I also saw cash being reduced from INR16 crores to INR3 crores. Your non-current investments also getting reduced from INR10 crores to INR4 crores from FY '24 to FY '25.

Saurabh Saraogi: Ma'am, can I check on this and revert to you? Because I'm not very sure of this currently.

Tanvi: Yes. Yes. Please. Please. Yes. No problem.

Saurabh Saraogi: Do we have your contact details with us?

Tanvi: I think that that gets recorded.

Saurabh Saraogi: But more or less, what I believe is, it is just a working capital which may be fluctuating, ma'am. I honestly feel it's just the working capital, which may be fluctuating because of normal working of the business, there is always an in-and-out flow. So that times may vary. But there is no other thing that comes to my mind.

Tanvi: And what is..

Saurabh Saraogi: And the other thing that you asked, ma'am, in the last, the question that you were asking, income, our duty drawback stands at INR310 crores, sorry, INR3.10 crores, road tax was 191 lakhs. So that was constituting of majorly of the other income.

Tanvi: Other income. Okay. And so what's your working capital cycle? How many days?

Saurabh Saraogi: Ma'am, the working capital has grown up about 60 days because of the shipping delays. Now the shipping time is increased. So that has increased our working capital. That's definitely a point.

Tanvi: Okay. Are you planning to bring it further down?

Saurabh Saraogi: Ma'am, we are trying our best, but it is not in our hands because once the shipping time increases, nobody pays up so far.

Tanvi: Okay. And what's your order conversion period? So given you have orders of 1 then 2 crores approximately in your books.

Saurabh Saraogi: Yeah. So we looking at around three, three and a half months. The order book stands for about three, three and a half months.

Tanvi: Okay. Okay. Got it. So also you said that, you know, by the end of this year, we'll be able to see a top-line of 300 crores to 320 crores. So what is your peak revenue from the, you know, from the total capacity of 45 million units currently and 20 million that will add additionally. So what is the peak revenue capacity that we could expect?

Saurabh Saraogi: Ma'am, in the -- by saying that I would like to conclude by saying that we are looking somewhere around INR380 crores, INR390 crores of revenue minimum in the next financial year. So that could be treated as a peak for this existing capacity. I mean, with the addition that we are doing this year.

Tanvi: Okay. Okay. So INR300 crores and INR320 crores for this year and maybe INR380 crores, INR390 crores for the next year?

Saurabh Saraogi: More, I'm being on the conservative side. We -- our internal target is INR400 crores, but let us say INR380 crores, INR390 crores.

Tanvi: Okay. And by FY '29, when your Ahmedabad unit would also be operational, what kind of top line, INR600 crores...

Saurabh Saraogi: We are looking at a top line of INR600 plus crores, ma'am.

Tanvi: Okay. Got it. Thank you. Thank you so much, sir.

Saurabh Saraogi: Thank you, madam.

Moderator Thank you. Next question comes on the line of Sahil Chopra with KIFS Trade Capital. Please go ahead.

Sahil Chopra: Yes. Hi.

Saurabh Saraogi: Hi, Sahil.

Sahil Chopra: Yes. Hi. So just wanted to understand what are the risks in our business? What kind of risks like you foresee for your business as a business owner?

Saurabh Saraogi: Sir, there is a -- we are looking at the risk of currency could be a risk. And also sometimes quality could be a risk, which we are very much focused on. So this is all about controlling your risk. So, but majorly, I would say, currency could be a risk.

Sahil Chopra: And what about this raw material volatility?

Saurabh Saraogi: Sorry?

Sahil Chopra: Raw material volatility.

Saurabh Saraogi: Sir, that we have 80% of our purchase is from around only 10 or 15 key suppliers. So, and our contracts with them are for long-term. So we are able to manage that volatility with our long-term agreements with them. And the major suppliers are composite companies. So there is a very high probability that they always keep their words. So that way we are able to manage the volatility every time. And we have been doing the same for past more than 10-15 years.

Sahil Chopra: Historically, like if there is a 20% jump in the cotton prices or maybe jute prices, then how it will work? Whether the suppliers bear it and how we will pass on that cost to the customers? Is there any prior agreement with.

Saurabh Saraogi: Yes. We enter into an agreement. See both the crops, jute and cotton, they are natural crops. So when the peak time of farming comes around, we discuss with our suppliers, we negotiate the price for about 6 months or 9 months, we give them orders accordingly, and then they keep supplying. So we keep, we want to ensure that we keep a stable pricing. And when we see a market fluctuation, we act accordingly, both in terms of selling and buying.

Sahil Chopra: Understood. Understood. And do we have any kind of contracts with our customers too? Like in terms of price escalation or something like that?

Saurabh Saraogi: No. The customers, they like every quarterly when they place the orders, they normally change the rates, depending on the market situation.

Sahil Chopra: Okay. So...

Saurabh Saraogi: That is a point where we actually can make, we make money and we can make more money as well. Both ways. Sorry?

Sahil Chopra: Can you explain it? What do you mean by that?

Saurabh Saraogi: For example, today the cotton is at INR40, but we have booked it at INR37. So we have the raw material for 9 months at INR37 because our suppliers is secured. And we sell it at INR40, INR41, INR42, whatever it could be. But it could go other way as well. We always act in ways that we avoid that situation.

Sahil Chopra: Understood. Understood. And has this freight cost normalized? What is the impact of this freight rate volatility on the gross margins last year, maybe currently?

Saurabh Saraogi: Sir, normally, the freight -- the international freight is being paid by our customer. We are always in favor of FOB shipments. So we don't want to take that additional risk of CIF. And majority of our business is always on FOB.

Sahil Chopra: Okay. So we don't have any kind of risk in terms of...

Saurabh Saraogi: No, no, we don't want to take that additional risk. Majority of our shipments, more than 90% of our shipments would be always on FOB basis.

Sahil Chopra: Understood. And what are the current trends and demand trends in the export markets like USA, Europe?

Saurabh Saraogi: See, even U.S. is currently growing up despite of the ongoing thing, but we are having a decent growth in the orders because everybody is hoping that this policy is going to stabilize very soon. So people are pouring us with the orders as their supply chain is almost empty in U.S. So that is a favorable part. And when you say Europe, Europe is almost stable.

And -- but we are getting orders from Latin American countries we have opened up with Brazil, Argentina, Chile, Colombia. That's a new market that we have entered and we've got decent success. And even in Japan, we have grown our business almost 2x in terms of revenue in the recent time. So overall, when we see we are quite stable and comfortable with the order book.

Sahil Chopra: What is our customer acquisition strategy? How we acquire customers?

Saurabh Saraogi: Sir, we acquire customers with trade shows and direct communication with them. We approach them. And there is also from the word of mouth by the company sharing our details with other companies in other countries. For example, someone is buying in U.S., they refer us to Colombia, they refer us to Brazil. So that is also one of the ways where we get customers. And also, we get the data from the foreign shipping details and we connect with customers.

Sahil Chopra: Understood.

Saurabh Saraogi: But majorly, I would say, is with the trade shows and exhibitions that take place around the world.

Sahil Chopra: So historically, have you seen any kind of penalties or maybe something like that for bad quality products?

Saurabh Saraogi: No, sir. In terms of quality, we are very, very stringent. On every step, we have quality controls. So fortunately, with grace of God, we have not seen a significant thing. Our quality claim could be less than 0.5% or around 0.5% annually.

Sahil Chopra: Great, great. And what advantage Ecoline Exim or maybe Indian players have in the global market to supply products to European nations and other nations?

Saurabh Saraogi: Sir, our cotton, we control the cotton market. We are one of the largest cotton growers in the world. So -- and we have a huge labor force. Our labor is the cheapest. So with this 2 combination, we always have the edge over the other countries.

Sahil Chopra: What about China?

Saurabh Saraogi: China, their cotton is there, but their labor is definitely more expensive than us.

Sahil Chopra: Okay.

Saurabh Saraogi: Again, I would like to repeat, there is a combination in terms of the raw material and the labor force. If you could compare Bangladesh, again, their labor is cheap, but they do not have their own cotton. They are buying it from India. Hello. Hello. Hello.

Sahil Chopra: Yes, yes. I missed your last couple of lines here.

Saurabh Saraogi: Sir, our combination of having the raw material source and a huge labor supply is the key to everything.

Sahil Chopra: Understood. So I think this overall industry in -- first of all, if you can answer me, who are the peers you consider in a listed market like that, Gloster India or any other company you consider as your peer?

Saurabh Saraogi: Unfortunately or fortunately, I don't know, but there is no peer to us in this segment. When you said Gloster, Gloster is a jute mill. Their bag division is very, very small. And their key focus is only on jute bags, wherein an Ecoline are 75, more than 75% of the revenue is coming from cotton bags. So it could not be an apple to apple comparison. They are more of a jute mill and we are more into an OEM bag manufacturer or a packaging company. So that is a big difference.

Sahil Chopra: Okay. Got it. That's it from my side. Yeah. Thank you and all the best.

Saurabh Saraogi: Thank you, sir.

Moderator: Thank you. Next question comes on the line of Nimish Soni with Carnelian Capital Asset Management. Please go ahead.

Nimish Soni: So to get a little color on the working capital side, I would like to ask that with all the scale that we are having right now to increase production capacity. So what are the measures that we are taking to optimize our working capital cycle? And are the payment terms and other things improving with our scale?

Saurabh Saraogi: Can you just repeat the question once? Due to the network, I must have missed it.

Nimish Soni: No worries, no worries. So basically, our data days is approximately 60 days. And our working capital cycle is approximately 148-150 days, right? So with like increasing production capacity and improving scale, what are the measures that we as Ecoline are taking to improve our working capital cycle? And are our payment terms like the creditor days and everything improving with our scale? Like the scale is terms and everything is improving with this or not?

Saurabh Saraogi: Sir firstly, we are pushing our customers for payments and trying to recover the payment from them as early as possible. And secondly, the payment terms that we are talking about, we are negotiating with our current suppliers to give us an extra credit line. And most importantly, above all, we are trying to turn the inventory into reduce our production lead time.

So that is the key idea that if we improve our inventory management and decrease our production lead time that would help us to reduce the overall working cycle. And that is what our focus is for this two quarters. And we are working very hard by taking different steps to ensure the same.

Nimish Soni: Understood. One more thing that you mentioned 25% growth in US orders and approx 55% expansion in Japan, right? So I would like to ask that what is our current revenue contribution from these geographies as a percentage of total?

Saurabh Saraogi: Sir, last financial year, the US contribution was roughly about 7.5%. And Japan percentage I'm not very clear. Can you give me a moment? Let me check. So Japan was roughly around 4%, if I'm not wrong. So that is also increased considerably this year.

Nimish Soni: Understood. And like are these orders one time order, one time bulk orders or they are like...

Saurabh Saraogi: No, no, no, no, no, these are not one time orders. These are from good brands, I cannot disclose the names, but they are retail stores.

Nimish Soni: Understood, understood.

Saurabh Saraogi: And like, in fact, we have started with a new segment in hand towels, and we secured a decent quantity of orders for that as well.

Nimish Soni: Understood, understood. And like is there any customer concentration risk in these markets? Like any foreign markets, are there any customer concentration risk with our?

Saurabh Saraogi: No sir, we are very fragmented in terms of market share both in terms of country and customers.

Nimish Soni: Okay, okay. Understood. That's it from my side. Thank you and all the best to you.

Saurabh Saraogi: Thank you, sir.

Moderator: Thank you. Next question comes from the line of Tanvi, an Individual Investor. Please go ahead.

Tanvi: Sir, there's one thing. You said that for this year we'll have some PAT margins of around 9%, 9.5%. We had the PAT margins of approximately 7% in the previous financial year. So what would be the main reason for increase of margin by almost 200 to 250 basis point in this year?

Saurabh Saraogi: Ma'am, there is just not one reason, there are multiple reasons. We are definitely improving our efficiencies of all the factories. So the overheads are coming down and we are managing our inventories better.

And this year, the last year there was a foreign exchange gain loss was not very attractive for us. We made some certain wrong calls in hedging, but this year it's doing well. So, that is one of the key reasons. Overall, if you see, there is a significant growth.

Tanvi: Okay, but given you will have a higher depreciation this year and the working capital need will also increase because of the...

Saurabh Saraogi: Ma'am, you have to understand this financial year we are not going to have a very high depreciation because we are just adding around INR8 crores to INR10 crores approximately into the capex. The rest will be under work in progress. So, we will not be considering the depreciation that you are expecting. And what was the next part of your question, ma'am?

Tanvi: Okay. So, what would be the EBITDA margin that we could see this year?

Saurabh Saraogi: Ma'am, we are looking somewhere around 14% to 15%.

Tanvi: Okay, that's excluding other income.

Saurabh Saraogi: Yeah. Sorry, not excluding the other income. No, no, no, no.

Tanvi: Sir, actually, I am just looking at the EBITDA margin excluding other income. What would the...

Saurabh Saraogi: Ma'am, I do not have that working in front of me. So, I am not in that position. But we always consider the other income as a part because that is generated because of our revenue or the sales. If you do not export, we do not get the benefits from the government such as drawback, road tap or RoSCTL. So they are a part of the sales, ma'am.

Tanvi: Sir, but at the same time, some year we could also see a substantial forex loss also coming in. So, that will directly affect the bottom line.

Saurabh Saraogi: Ma'am, that is the reason we are hedging. To cover the forex loss, we hedge.

Tanvi: Okay. But there won't be any gain. That's my concern in that year.

Saurabh Saraogi: Ma'am, that could be there. But we are again hedging only to the tune of 40%, 45%.

Tanvi: Okay. Okay, got it. And sir, one more thing..

Saurabh Saraogi: That is the business case, ma'am.

Tanvi: Right, right. I get it. And you also said that you generally maintain an inventory of eight to nine months.

Saurabh Saraogi: No, no, no. I said we generally maintain an inventory of – that's a order booking. We place the orders with our vendors. We do not store that or keep that much of material with us.

Tanvi: So, how much inventory of raw material do you keep?

Saurabh Saraogi: We normally keep it for about two months, ma'am.

Tanvi: Okay, okay. Got it.

Saurabh Saraogi: The inventory in-house is roughly for about two to three months.

Tanvi: Okay, okay. Got it. And what is the percentage of cotton or jute for your total raw material?

Saurabh Saraogi: Ma'am, 80% would be the cotton, and 20% would be the jute.

Tanvi: So, say your total cost of goods sold is INR100. So, what would be the cost of cotton out of that INR100?

Saurabh Saraogi: Ma'am, it could be that 80% of the bill of material. Say, if my roughly, you have to consider the similar ratio that I said, madam.

Tanvi: I get the ratio split between cotton and jute. But for the cost of say, for example, you are selling a bag for INR120...

Saurabh Saraogi: Madam, that's a very subjective question for me right now. Because in a bag, there are multiple accessories, multiple job charges and everything. So, to give you an overview exactly in terms of that percentage would not be very accurate for me now.

Tanvi: But just a rough range.

Saurabh Saraogi: Rough range, if I'm talking about INR100, say about INR40 to INR45 would be the cost of cotton. But it's a ballpark figure. I'm not very sure of being exact on it.

Tanvi: Yes, yes sir. Okay, okay. Got it. Thank you.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, we have reached the end of question-and-answer session. I would now like to hand the conference over to Bhoomika Maheshwari for closing comments.

Bhoomika Maheshwari: Thank you, Renju. On behalf of Hem Securities Limited, I would thank Ecoline team for giving time and responding to all the queries in a detailed way. I would also like to thank all the participants for joining on this call.

Now, I would like to hand it over to Renju for closing remarks.

Moderator: Thank you. On behalf of Ecoline Exim Limited and Hem Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.