“Qualiance International Limited

Q2 & H1 FY27 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Qualiance International Limited Q2 and H1 FY27 Earnings Conference Call. Please note that some of the statements made in today's discussion may be forward-looking in nature and may involve risks and uncertainties. Documents relating to the company's financial performance is available to the stock exchange. Trust you have been able to go through them.

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 0 on your touchtone phone. Please note this conference is being recorded.

I now hand the conference over to Mr. Vipul Badani, Chairman and Managing Director. Thank you and over to you, sir.

Vipul Badani: Good morning, ladies and gentlemen. It gives me a great pleasure to welcome all of you to Qualiance International Limited's first Earning Conference call following our successful listing on the NSE SME platform in September 2026.

This is an important milestone in our journey. Becoming a publicly listed company brings with it greater responsibility, transparency, and accountability towards our shareholders. We look forward to building long-term relationship with the investment community and keeping you informed about our business performance, strategic priorities, and growth initiatives.

Before discussing our financial performance for the first half of FY27, I would like to take this opportunity to provide a brief overview of our business. Our capabilities, and the opportunities we see ahead. Qualiance has evolved over 3 decades into a specialized manufacturer and exporter of technical and performance garments. Our journey began in 1994 as Qualiance Exports, and the business was subsequently incorporated as Qualiance International Private Limited in 2006.

We established our manufacturing operations in Tiruppur, Tamil Nadu in 2017 and have since steadily developed our capabilities in specialized technical apparel. Today we serve government departments, institutional customers, and international brands across Switzerland, Europe, and United States, and increasingly India. The foundation of our business is our Swiss institutional business.

We supply technical garments to Swiss government and defence institutions under long-term framework contract won through public tenders. These programs run typically several years, typically 5 to 9 years, and qualifying as a supplier takes months, sometimes years of testing

and audits. This gives us a stable recurring base of business and a strong visibility, and it is a relationship we have built and strengthened over almost 2 and a half decades.

Manufacturing highly technical garment products requires specialized fabrics, material know-how and material handling experience, technical expertise, advanced machinery, and stringent quality control. This is where our capabilities differentiate us from conventional garment manufacturers.

Our product portfolio is broadly spread over 6 categories. These include military and defense apparel, technical outerwear, corporate and institutional uniforms, workwear and personal protective equipment, activewear and performance apparel, and sun protective garments.

A key strength of our business is the engineering and manufacturing process such as quilting, seam sealing, bonding, and fusing involved in production of these garments. All of these highly technical processes are carried out in-house at our Tiruppur facility, which has an installed capacity of 4.5 lakh pieces annually. This gives us greater control over product quality manufacturing consistency, and delivery standards.

Coming to the first half of FY27, let me take you through the numbers and more importantly what they mean for where we are headed. Revenue from H1 FY27 stood at INR30.97 crores compared with INR38.46 crores in the previous period last year. This was largely a matter of timing. Certain orders which were ready for dispatch could not be invoiced within the half and would now be billed in H2.

We also saw a sluggishness in ordering from the USA as customers there are waiting for clarity on tariffs. At the same time, our core Government of Switzerland programs, which run on multi-year frameworks remain firmly in place. We have also moved to build our business with domestic buyers, which was only 1% of our revenue in FY26.

In recent months, we have onboarded high-value domestic customers for premium products. These include one of India's leading premium outdoor and performance brands, for whom we are now manufacturing technical outerwear. This is exactly the kind of complex, higher-value work our capabilities are built for. Domestic business also carries a clear financial advantage. It avoids 2 or -- 2 to 3 months of shipping time, so inventory turns into sales and cash much faster.

EBITDA stood at INR5.26 crores with margins at 17% compared with INR7.51 crores and 19.5% in H1 FY26. The moderation was primarily due to the lower capacity utilization in the half. At the same time, we kept a firm grip on cost, and as volumes return, operating leverages will work in our favor.

Profit after tax stood at INR3.744 crores compared to INR5.25 crores in H1 FY26. The previous year's figure included a one-time non-cash deferred tax credit of approximately INR1.52 crores. Excluding this, our underlying profit was broadly stable year-on-year despite lower revenue.

Cash flow from operations stood at approximately INR8.9 crores in these 6 months, more than we generated in the whole FY26. Our debt-to-equity now stands at just 0.25x. We enter our next phase of growth with a strong debt-light balance sheet.

Let me turn to the most important driver of our future growth. Our new manufacturing facility. As part of our IPO objectives, we outlined plans to expand our manufacturing infrastructure to serve larger customer requirements. I am pleased to share that the construction of our new facility at Pongupalayam, Avinashi, in the Tiruppur district of Tamil Nadu is well underway.

Land acquisition and land use conversion approvals are completed. And civil construction is progressing and excavation work is completed. Construction of the building is expected to be completed by February 2027. Plant and machinery installation is planned for March 2027, followed by trial runs and certifications, with commercial operations targeted for Q1 of FY28.

This facility will add approximately 10.8 lakh garments of annual capacity, taking our total installed capacity from 4.5 lakh pieces to approximately 15.3 lakh pieces, about 3.4x our current level. It will add approximately 600 machines and is being built for efficient and responsible manufacturing with solar power, rainwater harvesting, and energy-efficient lighting.

This is where our phase of growth begins. Our existing facility was already running at about 88% utilization in FY26. The new facility will allow us to take on larger programs from our institutional customers serve our growing domestic premium customers, and onboard premium outdoor performance and workwear brands in Europe and North America.

We will ramp up this capacity in step with customer commitments so that growth is profitable and our quality standards are maintained. We remain committed to our FY27 revenue guidance in line with our FY26 revenue which is supported by execution of orders carried over from H1, order visibility of our existing customers, growing business from our domestic customers, and new customer relationships in Europe.

Over the medium term, our strategy is built around 5 priorities. First, expanding our manufacturing capacity and technical capabilities to address larger and more complex customer programs. Second, broadening our customer base with a strong focus on domestic premium customers and new international brands. Third, deepening relationship with global suppliers of our specialized fabrics, materials, and components. Fourth, maintaining cost discipline and improving efficiency as we scale.

And finally, continuing to invest in quality systems trained manpower, and responsible manufacturing practices. To sum up, the fundamentals of our business remain strong: a secure base of long-term SWISS programs, healthy cash generation, and a debt-light balance sheet. And the building blocks of our next phase are already in place.

We believe FY28 will mark the beginning of a new chapter of growth for Qualiance. As a newly listed company, we recognize our responsibilities towards our shareholders.

We'll continue to build the business with discipline, maintain high standards of product quality and operational reliability, and pursue growth in a measured and sustainable manner. I would like to thank our customers, employees, suppliers, and business partners for their continued trust and support. And our new shareholders and investors for the confidence, for their confidence in Qualiance International Limited. Thank you. I'll now hand over the call for the questions and answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Nishita from Sapphire Capital. Please go ahead.

Nishita: Hello, good morning. Am I audible?

Vipul Badani: Yes, you are audible.

Nishita: Yes, so I had a few questions. So my first question is that, so, in H1 we had a muted sort of revenue because of delayed orders. Can you quantify the orders that were delayed?

Vipul Badani: So we have about, orders which were worth about little upwards of INR6 crores which were ready, but we were unable to ship because of inspection and final approvals, which is the mandatory process of a government of Switzerland. So that's the volume which we expected to ship in H1 but got shifted for H2,

Nishita: Right? So like, have you already shipped them till now or it's still pending?

Vipul Badani: No, we are expecting our customers to visit shortly because of Diwali period. They might visit after Diwali to do the inspection options, and, that's when the shipment would happen.

Nishita: Okay, okay, understood. My next question is on -- so we had less lower capacity utilization in H1 FY27. What was the capacity utilization?

Vipul Badani: We would assume that to be last year. As you know, FY26 we were at 88%. We might have utilized about 80% of capacity than in the current period.

Nishita: Okay,

Vipul Badani: Which itself in the garment industry is a decent capacity utilization, I must add that. But as compared to what we did, this was lesser.

Nishita: Okay, understood. And, like, if you could reiterate your guidance for FY27. So, in FY26, we had a revenue growth of around 44%. Do you think we can achieve the same 40%, 45% growth in FY27 as well?

Vipul Badani: So we have the spillover orders from the H1 which are going to be shipped in H2. We have order pipeline already with our existing customers available at the moment, and this is the -- just the first month is over in the H2, and we also have new customer -- the domestic customer whom we have onboarded, they are also placing larger orders currently. So, between these

customers and the order spillover which we have, we assume that we would be reaching the same targets what we did in FY26, last Year.

Nishita: So to reach that, like to reach around 45% of revenue growth, we will need to do INR80 crores of top line in H2 FY26. Do you think we have the capacity to do that?

Vipul Badani: So we -- the goods which, which are spillover are already produced, so we do not require a capacity for that. So effectively, what capacity which we have underutilized, if it is utilized in the full strength, we would meet the targets. So our target would be roughly around, say, INR76 crores INR77 crores and not INR80 crores, is what we are anticipating.

Nishita: Okay, okay, understood. And my next question is like, could you give a revenue geographical revenue mix for H1 FY26? Sorry, FY27.

Vipul Badani: So for the whole year, we would assume, this is -- sorry,

Nishita: No, so I was asking for the current period for H1 FY27, like what was the geographical split that we did?

Vipul Badani: Our geographies have not been added in our system, so that means we are still doing the Switzerland market, the USA market, the UK market, and the domestic market. So there are no new geographies added and we do not expect new geographies to be added in the H2 as well. We will continue working with the same geographies what we have worked in FY26 and H1 as well.

Nishita: So we still expect...

Vipul Badani: The share of the domestic market would increase substantially is what our assumption, our guidance is.

Nishita: So for FY27, we expect share of domestic market to increase?

Vipul Badani: That's right.

Nishita: Okay. And, my next question is, so on our EBITDA margins, so, we've done around 17% of EBITDA margins, and that is due to again the lower capacity utilization. Do you think we can reach 22% EBITDA margin for the full year FY27?

Vipul Badani: Our guidance would still remain the same that what we did in FY26, we would be doing the same for FY27. That would be our guidance for the FY27 as well. So on the whole year basis, we would meet what we did in FY26. That is our guidance.

Nishita: Okay, okay, understood. And my...

Moderator: Sorry to interrupt, ma'am. Should you have a follow-up question, please rejoin the queue.

Nishita: Sure, sure. Thank you so much.

Moderator: Next question is from the line of Lakshmi Narasimhan from Avendus Spark. Please go ahead.

Lakshmi Narasimhan: Thank you, for taking my question, sir. I have 2 questions. One is

Vipul Badani: That you are not audible, so you're not very audible, sir. If you can, a little louder.

Lakshmi Narasimhan: Hello, is this better, sir?

Vipul Badani: Sir, can you repeat your question? You are not audible.

Lakshmi Narasimhan: Yes, sir. Sir, my question would be, on number one would be, on capex. What would be your outlay for capex for the additional 10.8 lakh capacity that's coming through? That's -- and how would it be funded? That's number one. And number 2 is, for the additional capacity that's coming through, what would be the visibility in terms of split between domestic and international orders? And by What would be the timeline as to when, you would be expecting full capacity utilization for the additional capacity that's coming in? Thank you.

Vipul Badani: Yes, thanks for asking this question. So your first question was what would be the capex. Our capex target is about INR40 crores, out of which about INR24 crores would -- INR24crores to INR25 crores will go towards the construction, and the remaining would be towards the machinery including solar systems and things like that. So that would be the total capex which we have already raised from the IPO, and the whole money which is raised from the IPO is going to be used for the capex part of it.

Can you repeat your next question? What was it concerning? It was concerning the share of domestic to, international business. So we expect that in FY27 we would see that the domestic market would take about between 14 to 15% of our, total volume of business.

Lakshmi Narasimhan: Sir, my question was on the additional capacity of 10.8 lakh garments. What would be the visibility between, for domestic and international with respect to the split? And for full capacity utilization, what would be the timelines that you will be looking at for this capacity?

Vipul Badani: So capex utilization would be similar to what I have already mentioned to you, that the domestic market eventually would be for the FY27 about, okay, for the new capex it will be about 25%, or because we have large customers being onboarded as domestic customers and we would ideally want to limit each customer to the capacity of about 25% to mitigate the risk involved within the customer range. So that would be the domestic, exposure to the domestic market.

And our capex utilization would be for the first year about 30 to 35% for the first year because we will get only 3 quarters in the first year. And the remaining would be scaling down in the second year and the third year. About 60% will be for the second year and about 90% remaining would be for the third year.

So we have to be a little cautious in the industry and not onboard too quickly because customer relationship and the production engagement is also a very tricky, technical term. And one has to go slow into each customer for benefit of customers as well as our own benefit as well.

Lakshmi Narasimhan: Thank you, sir. Wish you and your team a very happy Diwali coming up. Thank you.

Vipul Badani: Thank you. Thanks to you as well.

Moderator: Thank you. Next question is from the line of Chirag Shah from White Pine. Please go ahead.

Chirag Shah: Yes, thanks for the opportunity, and apologies I joined a bit late. So if you, at the cost of repeating, if you can highlight why did we miss the revenue, which customer or country has seen this spillover effect And, what gives you confidence that it is just a spillover and not postponement as such?

Vipul Badani: So the spillover basically is not from the point that we had goods ready, but because, as you are aware, our major business is with Government of Switzerland, and they have certain protocols to follow concerning the quality approval systems, inspection. They do random audits, as part of the system that they, when the goods are ready, either they give an approval by email or they do a random audit to visit and audit the shipments. That is a part of the procedure.

And because of the audit pending, the shipments were not made. Currently they are expected to visit within this month, to our facilities and do the inspection. And post that, the shipment would be released for shipment. So that is the current situation.

Chirag Shah: Is this the new facility?

Vipul Badani: This is the existing facility. The new facility would be operational only in Quarter 1 of FY28.

Chirag Shah: So there they have to approve your product every time that they buy? That is how it works?

Vipul Badani: So there are various procedures within the government of Switzerland. Either there are samples to be sent or they make a visit to India to have a random quality check, or they call for samples over there. So there are various processes, and this is a very regular routine process, nothing new for us. We have been handling this since about 25 years, and this is a regular process of the order management.

Chirag Shah: No, I'm clarifying, you are a qualified vendor to Swiss government, let's say just for the sake of, say, defense. So every time a new order comes from defense, the entire quality check process goes through, right? That is how it works?

Vipul Badani: So every time...

Chirag Shah: You got an order now, or you got one order, say, for INR50 crores, then next year some, say, another INR50 crores order comes across, again the entire quality approval process will continue even if you're an approved vendor. That is how it works?

Vipul Badani: Absolutely. There are several processes. So there are pre-shipment samples, there are post-shipment samples, there are random audits, there are, spot audits, there are surprise visits. All

these are part and processes of the, quality control process from the government of Switzerland.

Chirag Shah: And sorry for harping on this, but so generally this audit, based on your experience of past, happens when the— when you are— when the order is placed and the first shipment is happening, or it can happen Any point of time? So half of the supplies have happened and then the inspection system, or it happens generally at the beginning of the supply?

Vipul Badani: No, it is not at the beginning of supply. It is randomly and happens all through the year. Quality control for garment industry is a continuous process. It is never a standalone process and singled out process. It is always a continuous process. So even what we do, quality control is a continuous process. Every garment is subjected to a very rigorous quality standard and process, and that is how it is managed and operated upon.

Chirag Shah: You see, your work— your working capital will also be stretched because inventory is ready, but for dispatch, but for inspection, right?

Vipul Badani: That's right.

Chirag Shah: Okay. And any update on that, when they are expected to come? Anything, any clarity coming?

Vipul Badani: Because of the Diwali period because of the Diwali period, we have requested them in the second half of the month of November. So that's when they would visit us and then the shipments would be released.

Chirag Shah: Okay. And can you quantify if the -- if, if this issue would not have happened, so what is the postponement of revenue that has happened for you because of this quality check issue?

Vipul Badani: Yes, Yes, we already mentioned this earlier, but I think you joined the call late, as you said. So this is about INR6 crores worth of goods.

Chirag Shah: How much?

Vipul Badani: Goods worth INR6 crores.

Chirag Shah: Okay. Thank you very much.

Moderator: Thank you. Next question is from the line of Suraj from Vijit Global Securities Private Limited. Please go ahead.

Suraj: Hello. Yes, hi sir. So just, so I have a few questions. Firstly, just wanted to understand that on the US tariff part, so just wanted to know that how is the situation now? And I mean, what were the tariffs like earlier? And what's the impact of US tariff, let's say, some previous year vis-à-vis this year? Because I'm assuming that even FY26 was a tougher time than the current period. So I mean, how is the tariffs impacted now and not before?

Vipul Badani: So FY26 has a tariff which ranged from 45% to 18%, 12%. So there were variable tariffs with the customer actually at that particular time absorbed. But the current tariff threat which is looming is for 100%, which is a very substantial amount of tariff. And that is the reason why it has impacted, the garment industry generally, or any other export industry generally, where the tariff is expected -- if it is expected to be 100%, then it's a very, very high tariff barrier which is going to come in place.

And the clarity is still not coming through, it is not still imposed, but when there is a tariff barrier spoken about, then the customer who orders with a time frame of about 3 months cannot risk placing the order and then at the time of delivery face the tariff threat at that particular time.

Bhoomin R Badani: So Suraj, what has happened is that sometime in August 2027, that Lindsey Graham Act that was there in the US, that received the majority approval in the Congress. So that from that moment onwards, there has been a tariff uncertainty in what direction it is going, unfortunately.

Vipul Badani: So at this moment also, it is not levied upon, but from the time the discussion started somewhere in the month of July, the discussion about tariffs started and the customers started becoming a little sluggish over that particular fact because 100% tariff is a very huge amount, as we all can

Bhoomin R. Badani: But what we're doing is that we are mitigating, trying to mitigate it by onboarding premium domestic supply, domestic customers over here.

Suraj: Understood, understood. So, so I mean, the situation is same right now, right?

Bhoomin R. Badani: Yes, more or less remains the same, but we are trying to aggressively mitigate the risk. By working very aggressively and trying to onboard, at least as far as domestic customers are concerned over here.

Vipul Badani: So like we all hear that there is FTA being signed up between India and USA also, so the clarity should come within next few weeks, or a month or so. Next month. But unfortunately, at this moment, the clarity is not there.

Bhoomin R. Badani: And this is an industry-wide phenomenon, it's not just us.

Suraj: Understood, understood. And also a few questions on the reporting. So just wanted to understand that if there were delay in dispatches, then I mean there should be an increase in inventory days, right? So the inventory days or the inventory didn't see that kind of spike in spite of low revenue or delay in dispatches. Could you help me with the reason?

Vipul Badani: Suraj, I'll need to investigate this and get back to you. So if you can email this query to us, we would get back to you because I don't have the numbers handy in my hand. To give you a very offhand comment on that. Your question is very valid. We would get back to you on this.

Suraj: Understood. Okay, sir. And then, so, thirdly, also wanted to know that, why is the cost of material consumed spike in this H1 vis-à-vis last year? Any reason?

Bhoomin R. Badani: I think the better operating leverages, right now will be seen only in H2. Over here, I think because of little bit of underutilization, it is reflecting that way.

Suraj: Okay. But that should impact other expenses, I mean, below the gross margin line items, right?

Bhoomin R. Badani: Okay.

Suraj: I just wanted to understand on the gross margin part, the cost of material consumed have also been increased. So, either there's any reclassification or, I mean, just wanted to know, what the raw material costlier than before, or how?

Vipul Badani: So, just to give you a perspective, our average garment price which has been shipped in the month, in the H1, has increased substantially because the kind of styles which we dealt were very complicated. So if you are aware, our average H1, our average FY26, garment pricing was roughly around INR2,000, a little lower than INR2,000. And in this particular period, H1, in our garment pricing, where the raw material cost was substantially high as well because of the difference of the style which we produced, was to the upwards of INR2,500.

So, we did more complicated style which consumed more raw material, more labor, and things like that. So, there is a difference in the product mix which we did And this is, of course, in garment industry, it's a very seasonal and very standard that every season there is a product mix which changes. And the product mix on an average which we did was about INR2,500 for this particular period, or upwards of INR2,500 actually.

Suraj: Understood. Okay. So -- but lastly, so by the end of FY27, our EBITDA margins, should be in line with FY26, right?

Vipul Badani: That is the expectation, Suraj-ji.

Suraj: Okay. Understood. Thank you lots. Thank you.

Vipul Badani: Thank you so much.

Moderator: Thank you. Next question is from the line of Mujeeb from SMA Capital. Please go ahead.

Mujeeb: Hello. Can you hear me?

Vipul Badani: Yes. Maybe you need to be a little louder, sir.

Moderator: Little loud, please.

Mujeeb: Yes. Sure. Is it okay now?

Vipul Badani: Yes. This is perfect.

Mujeeb: Yes. Thanks for taking my call. Sir, I have a question, regarding this tariff. Now, as per the geographical revenue mix, in USA, you are having 17% share. If this tariff issue continues for longer than expected, in India, can we absorb this much percentage of the share in coming months?

Bhoomin R. Badani: Yes. We are confident that with our marketing efforts over here, India is more than capable of absorbing this percentage share very comfortably, and the process has already begun.

Mujeeb: Okay. With regards to the new plant, that means what kind of EBITDA and PAT levels you are expecting at the full utilization level?

Vipul Badani: So, we always talk about the combined, EBITDA level of the company, not plant-wise separately. And our guidance for the EBITDA would be always remaining the same, at the moment, based on what we are doing currently. That is what we are expecting as the combined. So, we do not make them as two separate profit centers, and it is considered to be one unit, one business unit.

Mujeeb: So, the same EBITDA margins which we are maintaining in the current plant?

Vipul Badani: That's right, sir.

Mujeeb: Are expected to be maintained in the new plant also?

Vipul Badani: Yes. That is the idea.

Mujeeb: Sir, one more thing, we are expecting the plant to be commissioned in FY28 quarter 1.

Vipul Badani: Sir, your line is breaking. Sir, your line is breaking.

Mujeeb: Yes. Can you -- is this okay?

Vipul Badani: Yes. It is okay.

Mujeeb: Hello?

Vipul Badani: Yes. Please go ahead.

Mujeeb: We are expecting the new plant to be commissioned in FY28 Q1, correct?

Vipul Badani: That's right.

Mujeeb: But as per the photographs what has been given and -- only the groundbreaking ceremony has been done. Are we too optimistic on this one? Or is it realistic commissioning date?

Vipul Badani: Yes. So, this is not a conventional building. This is a prefab building, a steel structure which is coming up. So, major fabrication happens at the site of the fabricator, and then the whole erection is done at the site itself.

So, the excavation work is now completed. The making of pillars would start, the RCC. And there is no RCC structure over here. This is a steel structure.

Mujeeb: Okay. It's a pre-engineered building.

Vipul Badani: Yes. That's right. Precisely.

Mujeeb: So, only the foundations will be done at the site, rest all the steel structure will be built in the factory and installed here.

Vipul Badani: Absolutely right, sir.

Mujeeb: And what about the machinery, sir? Is it locally purchased or imported from outside?

Vipul Badani: So, all the machinery, maximum machinery is imported, but all the machinery vendors have their -- these machineries readily available with few exceptions, in their bonded warehouse at Chennai or wherever in India. And once we place the indent, we have to make the payments and collect the machinery.

So, the process of buying machinery is underway and we are finalizing the machinery list, fine-tuning the purchase machinery list, and they will be placed in the month of December, which will ensure a delivery in the month of February, end of March beginning. That is when we want the site would be ready to start loading the machinery on the shop floor.

Mujeeb: Okay. Sir, one last question, because of this issue in the Middle East, how your company is exposed to this fabric cost inflation?

Vipul Badani: So, basically…

Mujeeb: Because I think most of you…

Vipul Badani: Basically…

Mujeeb: Yes.

Vipul Badani: Basically all the pricing is always done order-driven. That means when a customer places an inquiry, gives a quantity, gives the expected delivery time, at that particular time you have to build the price. So, it is not something which we are pricing it today and then the delivery has to happen, the order is taken at a later date. It is always when you lock the supplier, you take the pricing, you lock the supplier for a particular period for that pricing, and then build the price and give it to the customer, take customer's approval for the price, and then start making your purchases.

So, the price differentiation does not come from that sense that we have given a price, say, in February 2025 or 2026, and we are supposed to do based on the cost inflation which has happened. So, it's always cost-plus method of working the pricing which we follow with all our customers.

Mujeeb: But you have told and agreed you are having a real long-term contract with Switzerland government for 4 years to 5 years. You know, if my understanding can be, in that case, how this depletion part is taken care…

Moderator: Sir, your voice is breaking.

Mujeeb: Hello? Am I audible?

Moderator: Thank you. Next question is from the line of Nishita from Sapphire Capital. Please go ahead.

Nishita: Yes. Thank you for the follow-up opportunity. So, I wanted to understand, from this new capacity of 10.8 lakh annual capacity, what is the peak revenue that we can expect?

Vipul Badani: Yes, Nishita. Fair. We expect the peak revenue could be little, say about INR180 crores could be the peak revenue from this new capacity.

Nishita: And we…

Vipul Badani: So, only from the new capacity, and not from the exiting capacity. So, add to that the existing capacity revenue.

Nishita: Right. And this will be at 88% utilization, right?

Vipul Badani: Yes. Normally in the industry anything over 80%-85% is supposed to be good utilization, and that is the capacity utilization we would expect, with the new facility as well.

Nishita: Okay. Thank you. And what is our current order book size?

Vipul Badani: So, we have an order visibility of about INR30 crores at the moment, and this is just the first month of the Q2, which is H2, which has passed. There is -- in garment industry, the normal order books -- orders are placed about 3 months to 4 months in advance. So, we -- this order book would change substantially in the coming period of time.

Nishita: Okay. Understood. And my last question will be on -- so, like you mentioned that our domestic sales will be able to take over the share of the US market sales that we're doing. So, I just wanted to understand, how the margins are domestically compared to overseas margins?

Bhoomin R. Badani: Nishita, hi, just stepping in. I would like to clarify that the margins are exactly in line with our expected margins for our international business also, export business also. The margin remains stable, the margin is not affected.

Nishita: No, I understand that. I just wanted to understand, like, do we get the same margins in the domestic business as we do in overseas business, like in general, not as a guide.

Bhoomin R. Badani: That's right, Nishita.

Nishita: Okay.

Bhoomin R. Badani: Yes. That is right.

Nishita: Okay. Understood. Yes. Thank you so much.

Vipul Badani: Thank you, Nishita.

Moderator: Thank you. Next question is from the line of Amit from Mit Engineers. Please go ahead.

Amit: Actually my question -- so my question is, the management blamed the trade deal uncertainty for the drop in the H1 top line. If you can't sell out your current capacity due to a minor US slowdown, what is the economical logic behind the expanding capacity by 3x?

Vipul Badani: So, garment industry typically works with a -- when you onboard a new customer, it works with a long process of onboarding. It is not something that today you have some capacity and tomorrow you can fill the capacity, there's a ready buyer. So, all the commitments and the discussions with customers are for very long-term prospects together, and it takes a little time to onboard. So, it is not something which can be filled up immediately, but when you onboard new customers and you have different customers together, from different geographies and different demographic reasons, you can easily fill up the capacity.

Amit: Okay. We have the hope…

Vipul Badani: And we are…

Amit: Yes, please.

Vipul Badani: Yes. Go ahead. Please ask.

Amit: Yes. And another question is the raw material cost shoot up from 30% to 42% of the sales. It is because -- actually the inventory built up or there is a high -- because of the forex hedging, other global commodity prices, this rise in the raw material cost?

Vipul Badani: No. We are -- like, I explained a little bit, a little while ago, our -- we work on an order-based system, which means that anything which we buy is already pre-planned in terms of what price we are going to pay and what orders are going to be received. So, it is not more affected by the hedging. We do not hedge foreign currency that way.

Amit: So, why the price margin is in pressure? Because, I think as per the -- your account statement, the raw material cost, is the reason why your bottom line is got affected. Please explain that.

Vipul Badani: I will have to get back to you on this particular question. If you can send this by email, we'll follow it up with the reply over there.

Amit: Yes. Definitely,

Vipul Badani: Because I'm not equipped with the numbers at the moment, to give you a very specific reply. I'll check this out and get back to you.

Amit: Yes. Okay. Fine. And the final question is, I think you have given the growth guidance for the FY27. Can you please repeat it?

Vipul Badani: We have given growth guidance that FY27 will be same as FY26.

Amit: So, 40% growth in the top line, right?

Vipul Badani: No. We are saying that what we achieved…

Amit: Say.

Vipul Badani: In FY26 is what we will achieve in FY27.

Amit: Okay. Thanks a lot, sir. Thanks a lot.

Moderator: Thank you. Next question is from the line of Suraj from Vijit Global Securities Private Limited. Please go ahead.

Suraj: Hello. Yes. So, just a follow-up question, sir. Just wanted to understand that, so what would be optimum utilization in such industry? Just wanted to know because, so I mean, this could be overachieved as well in terms of capacity utilization. Let's say if we work on more than one shifts, but so I mean, does it work that way or am I missing anything?

Vipul Badani: So, the garment industry works generally on one shift only, Suraj-ji, and anything which is over and above 80% to 85% is supposed to be a good utilization in the garment industry. So, what happens.

Suraj: Understood.

Vipul Badani: Yes.

Suraj: Understood. Thanks a lot, sir.

Vipul Badani: Thank you.

Moderator: Thank you. That was the last question for today. I now hand the conference over to the management for closing comments.

Vipul Badani: So, we thank you everyone for participating in this earnings call, and we expect the company to grow in line with what we have declared today, and we would look at your continued support in times to come. Thanks a lot for joining us from all of us over here.

Moderator: Thank you very much. On behalf of Qualiance International Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.