

SILKFLEX

“Silkflex Polymers (India) Limited
H1 FY26 Earnings Conference Call”
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SILKFLEX



MANAGEMENT: MR. TUSHAR SANGHAVI – CHAIRMAN AND MANAGING
DIRECTOR – SILKFLEX POLYMER (INDIA) LIMITED
MRS. URMI RAJ MEHTA – WHOLE-TIME DIRECTOR
AND CHIEF FINANCIAL OFFICER – SILKFLEX
POLYMER (INDIA) LIMITED

MODERATOR: MR. GAUTAM KOTHARI – X-B4 ADVISORY

Moderator: Ladies and gentlemen, good day and welcome to the H1 FY '26 Earnings Conference Call of Silkflex Polymers India Limited, hosted by X-B4 Advisory. 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.

I now hand the conference over to Mr. Gautam Kothari from X-B4 Advisory. Thank you and over to you, sir.

Gautam Kothari: Thank you. Good afternoon, everyone, and welcome to the Q2 and H1 FY'26 earnings conference call of Silkflex Polymers India Limited. Today on this call, we have with us Mr. Tushar Lalit Kumar Sanghvi, Chairman and Managing Director, and Ms. Urmi Raj Mehta, Whole-Time Director and CFO.

This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions, and expectations as of today. Actual results may differ. The statements are not guarantees of future performance and involve risk and uncertainties that are difficult to predict. A detailed safe harbour statement is given on the second page of the earnings presentation of the company, which has been uploaded on the stock exchange as well as the company's website.

With this, I now hand over the call to Mr. Tushar for his opening remark. Over to you, sir.

Tushar Sanghavi: Thank you, Gautam. Good afternoon, everyone, and a very warm welcome to all our investors, analysts, and well-wishers joining us on Silkflex Polymers India Limited H1 FY'26 earnings conference call.

I am Tushar Sanghavi, Chairman and Managing Director of the company. It's a pleasure to connect with you all once again, and I sincerely thank you for your continued trust and support in our journey. I hope you all had a chance to go through our financials and investor presentation, which have been uploaded on the stock exchanges as well as on the company's website. For those who are new to Silkflex, let me begin with a brief introduction to the company before we move on to the industry landscape and key business developments for the first half of FY'26.

Silkflex Polymers India Limited was established in 2016 with a vision to promote sustainability by offering eco-friendly alternatives in the industrial space. Over time, the company has evolved from a trading-based operation into one of India's leading providers of premium water-based textile inks and wood-coating polymers. We hold the exclusive right to sell and market Silkflex products in India under globally-recognised Malaysian brand Silkflex.

Our diverse product range offers high-quality, sustainable, and performance-driven solutions for the textile and furniture industry. Certified under ZDHC Level 3, OEKO-TEX, Eco Passport, GOT 7 version, and Green Guard standards.

Silkflex inks are known for their supplier durability and consistency. They do not tear or crack on the fabric, even under extended use. Similarly, our water-based wood coating offers long-lasting protection, demonstrating strong resistance to heat and water, attributes that distinctly

position Silkflex as a premium player in its segment. We are a recommended ink supplier for Puma and an officially nominated vendor for H&M, reaffirming the trust that leading global brands place in our quality and sustainability standards.

To strengthen our market reach, we have established regional offices in Kolkata, Tirupur, Ludhiana, Ahmedabad, Jodhpur, and Mumbai, enabling deeper penetration into key manufacturing hubs across India.

Further, as part of our forward integration strategy, we are setting up a manufacturing facility in Baroda, Gujarat, which is entering its trial production phase. This facility will help enhance our operational efficiency, improve product innovation and strengthen Silkflex's position as a leader in sustainable and high-performance solutions.

Now, let me walk you through the current industry outlook and highlight how these evolving trends are creating strong growth opportunities for Silkflex. As we look outward, the broader, textile, and coating markets are presently strong tailwinds. India's textile and apparel industry is forecast to grow at around 10% annual rate, with the sector expected to reach a size of approximately US\$350 billion by 2030.

At the same time, the paint and coating market in India is projected to expand at roughly at 9% CAGR to 2030, reaching over US\$16 billion with water-borne and speciality coatings.

For Silkflex, this is exceptionally relevant in many ways. Firstly, as textile manufacturers scale and upgrade their processing, shifting towards premium, durable, eco-friendly inks, we are already positioned to benefit with our advanced water-based ink systems that deliver superior durability and garment integrity.

Secondly, on the coating side, the push towards sustainable wood-coating polymers in furniture, interior, and decorative applications means our premium water-based polymer range becomes highly relevant.

Thirdly, in addition, the global sourcing landscape is shifting in India's favour, with Bangladesh's textile sector facing tailwinds such as power disruption, rising production costs, and stricter compliance norms.

India has emerged as a preferred destination for garment and fabric sourcing. Global apparel and lifestyle brands are expanding their procurement footprint in India to secure reliability, scale, and sustainability.

For Silkflex, this structural shift directly strengthens our growth outlook as more textile processors ramp capacity across India. The demand for high-performance water-based ink and coating rises.

In sum, Silkflex is operating at the intersection of two structural growth vectors, rising textile demand and premium coating adoption, and our differentiated product portfolio. Brand endorsement and the upcoming manufacturing ramp-up place us very well to capture outside share growth in this evolving landscape.

With that, I hand over the call to Ms. Urmi Mehta for a financial review for the first half of FY '26.

Urmi Mehta: Good afternoon, everyone, and thank you for joining the call. I am Mrs. Urmi Mehta, Whole-Time Director and CFO at Silkflex Polymers India Limited. I am pleased to present the financial performance for the first half of the financial year 2026.

The revenue from operations stood at INR3,759.4 lakhs, reflecting a 7.0% year-on-year growth over the first half of the financial year 2025. The EBITDA improved by 7.1%, rising to INR562.8 lakhs during the period. The EBITDA margin increased by two basic points, reaching 14.97%, compared to 14.95% in the first half of the financial year 2025. The profit after-tax grew by 7.6%, to INR343.4 lakhs, with PAT margin expanding from 9.08% to 9.13%, an improvement of 5 basis points.

Our year-on-year performance underscores the resilience of our business model, supported by a sharper product mix, steady demand from key customers, and disciplined cost and inventory management. With sequential performance against the second half of the financial year 2025, appears softer due to the high seasonal base in the second half of the previous year, our underlying operating momentum remains stable. The company continues to strengthen its margin profile through better raw material planning, operational efficiencies, and focused expense optimization.

We can now open the floor for the questions and answers. Thank you.

Moderator: Thank you very much. The first question is from the line of Aarav Mehta from Mehta Investments. Please go ahead.

Aarav Mehta: Hello, sir. Am I audible?

Moderator: Yes, you are. Please go ahead.

Aarav Mehta: Thank you for the opportunity. So, my first question was, sir could you elaborate on the long-term growth strategy for the company for the upcoming next five to seven years? And do we have any plans to secure any additional Silkflex rights in other countries or expand beyond India in the future?

Tushar Sanghavi: In the next five to seven years, we plan on expanding our manufacturing unit by increasing the number of products what we are going to manufacture. Our plan is to widen the range of product manufacturing through royalty purchases as well as through research. Our unit is well equipped and planning in advance for this kind of growth. So, once we complete the things we require to Indian market, then after we think of exporting for the future.

Aarav Mehta: Okay, sir. That was helpful, sir. Sir, our EBITDA margin for this half has come a kind of flattish. So, could you please share what are the key factors which contributed to this and whether we expect EBITDA margins to remain at similar levels or moderate going forward?

- Tushar Sanghavi:** Yes, first Half, operation remains same. So, the EBITDA will also remain same. And it will increase according to the year-on-year.
- Aarav Mehta:** Okay. And sir, our first half has seen a bit seen marginal growth in revenue as well. What growth are we expecting for the full year compared to FY '25?
- Tushar Sanghavi:** That will be near about 30% to 40% for the year.
- Aarav Mehta:** Great sir. Sir, in the results, we also see that our capital work in progress jumped from INR93 lakhs to around INR3,122 lakhs. What is the reason behind it?
- Tushar Sanghavi:** This is because of due to the ongoing capex.
- Aarav Mehta:** Correct. So, basically, the manufacturing unit, correct?
- Tushar Sanghavi:** Yes, yes.
- Aarav Mehta:** Yes, sir. And we also saw a bit of long-term borrowing also increasing from INR17 crores to around INR32 crores. So, this is also because of our manufacturing plan capex?
- Tushar Sanghavi:** Yes.
- Aarav Mehta:** Okay. Sir, our operational cash flow turned positive to around INR16.5 crores versus a large negative number in FY '25. What major factors improved this working -- improved the working capital?
- Tushar Sanghavi:** Due to the decrease in debtor and the advances to suppliers for the capex.
- Aarav Mehta:** Okay, sir. So, that was helpful, sir. This is all from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Nidhi from Dhimahi Enterprise. Please go ahead.
- Nidhi:** Hi, everyone. So, my first question is, is there any exclusive clauses with brands like Puma and H&M? Do this have any end -- hello. Am I audible? Yes.
- Tushar Sanghavi:** Yes, please.
- Nidhi:** Hello. Okay. Okay, sir. Okay. So, do we have any exclusive clauses with the brands or is this managed directly through Silkflex Malaysia or Silkflex India?
- Tushar Sanghavi:** They are managed and handled completely by Silkflex Malaysia.
- Nidhi:** Okay. Okay. Is there any plan to introduce new product lines or formulation under the Silkflex India?
- Tushar Sanghavi:** Yes. We are in the discussion with the principal. Once we will start the manufacturing at that point of time when we had a meeting, we have a plan to have a long discussion for what type of other products we are incorporating in our manufacturing as well.

- Nidhi:** Okay. Great. Great. Okay. I have a couple of more questions. So, how soon can the plant start generating incremental revenue? I mean, after commissioning.
- Tushar Sanghavi:** After commissioning, we are, what we are doing is the operational profit and everything, the manufacturing, what we are going to do is, right now we are, our margin will be near about 12% to 15% and we are expecting to be grow up, gross profit up to 25% with the EBITDA approximately to 24%.
- Nidhi:** Okay. Okay. Got it. Thank you. The binders manufacturing is being done in-house, right? So, what was their earlier contribution to revenue and how it is expected to influence margin going forward?
- Tushar Sanghavi:** Basically, I don't have exact number what quantity we are right now selling, so better I can reply on this question by over email, if you don't mind.
- Nidhi:** Okay. Okay. Okay. Given that our product, cater to the Premium segment, what marketing initiatives are being undertaken to promote water-based inks and coating over traditional chemical-based products?
- Tushar Sanghavi:** The traditional product, we are superior with respect to not only the -- quality is our major benchmark, the result and the performance what we are giving. As the dealer network is very strengthened so far as our marketing is concerned, we have been placing the dealer in major market who can give the proper services, as well as we have all certification like GOTS, OEKO-TEX and all those things like that.
- Nidhi:** Okay.
- Tushar Sanghavi:** So, that means it was the major drive force with respect to the local manufacturers.
- Nidhi:** Okay. Okay. And in accordance with the last question, which states like Madhya Pradesh announcing large industrial investment proposals, does this reflect here any existing footprint or expansion plans for that region?
- Tushar Sanghavi:** No, right now, I think the textile is not there, but now the government has announced the textile parks and everything will be developing there. So, we are planning to put up the office in Madhya Pradesh zone as well. Later on stage, once we will see the growth and everything will be there in Madhya Pradesh.
- Nidhi:** Okay. Thank you. That's all from my side. Thank you, everyone.
- Tushar Sanghavi:** Thank you.
- Moderator:** Thank you. The next question is from the line of Vidhi Parikh from VP Advisory. Please go ahead.
- Vidhi Parikh:** Thank you for the opportunity. So, my first question is, have we seen growth in our dealer distributor and branch network since the last update and which regions are showing the most fraction? And another..

- Tushar Sanghavi:** Yes, we have -- the way we have ...Yes please carry on....
- Vidhi Parikh:** Yes, you can say your answer.
- Tushar Sanghavi:** We have the dealer network right now almost in all the states. Though the business will grow, accordingly, we will setup the branches as well as the dealer network also. Because the major states where the textile and the coatings are there, we have been already having our offices, as I mentioned earlier, Jodhpur, Tirupur, Ludhiana, Calcutta, Mumbai, Ahmedabad.
- So, all major states are covered, though we have the technical team as well. So, as and when it will be required, we can give them the services as well. So, once we will see the growth, we will put up the office and the dealer network according to the expansion of the business.
- Vidhi Parikh:** Okay, thank you. So, my next question is, what is the total capex outlay for the new manufacturing facility? and how is it being funded? And what is the expected timeline for the trial run and for commercialization?
- Tushar Sanghavi:** It will be INR50 crores, the capex total. And in manufacturing, we will do by next month or very soon we will be planning to start manufacturing.
- Vidhi Parikh:** Okay, thank you so much. So, my next question is, so once the trial run commences, how soon can we expect commercial production to begin? And how will it impact H2 FY26 performance?
- Tushar Sanghavi:** We will be expecting, we are starting once we will start the production. Hello, can you -- am I audible?
- Vidhi Parikh:** Yes, yes, I can hear you.
- Tushar Sanghavi:** So, we are projecting ourselves right now for 25-26 is near about INR110 crores and then after ...
- Vidhi Parikh:** Okay.
- Tushar Sanghavi:** Over a period of time, the growth will be 30% to 40%...
- Vidhi Parikh:** Okay.
- Tushar Sanghavi:** Accordingly, it will grow after the year.
- Vidhi Parikh:** Okay, yes. So, my next question is, how many additional technology transfers from Silkflex Malaysia are planned over the next two years and will the costing be similar to the binder agreement?
- Tushar Sanghavi:** Yes, these are the one of the products what we are selling in India and we have been come to the agreement with our principal. The same way, there are a lot of other products are also there that our principal will choose what the demand is over in India is higher. Accordingly, we will discuss mutually and we will do the technology transfer in the coming time.

- Vidhi Parikh:** Okay. So my last question is, what are the key advantages for apparel manufacturers to choose Silkflex inks at a premium over local alternatives?
- Tushar Sanghavi:** We give the inks with a much better feel, because nowadays the people are looking for the hand feel. Previously, the garment printing ink was giving the very hard and harsh feel, whereas the Silkflex has a premium to give the feel-less printing. So, you don't feel that as well as we have all the certification. It is the print gives the high stretchability as well. So, these are the advantages which people would like for the domestic as well as abroad. So, that is what the superiority of Silkflex is.
- Vidhi Parikh:** Okay. Thank you so much. I am done with my questions.
- Moderator:** Thank you. The next question is from the line of Mahak Sanghvi from MAK Investment. Please go ahead.
- Mahak Sanghvi:** Yes. I had a follow-up. Good morning, everyone. I had a follow-up question on the cash flow from operation.
- So, if you see for these six months, the PAT for plus depreciation plus finance cost is INR480 lakhs and the cash flow from operation is INR1,730 lakhs. So, CFO is 3.6 times of the PAT plus debt plus finance cost. So, any reason why this cash flow operation's quality has improved other than that advance from suppliers have gone down? Do you have any advance for any orders or unbilled revenue?
- Tushar Sanghavi:** It will be improved because of the creditors and -- sorry, the debtors. So, what we have been receiving from them is an advance.
- Mahak Sanghvi:** Okay. Do you have advances, right?
- Tushar Sanghavi:** Yes.
- Mahak Sanghvi:** You have advances...
- Tushar Sanghavi:** Collection as well.
- Mahak Sanghvi:** Okay. And there is no unbilled revenue, right?
- Tushar Sanghavi:** No, no, no.
- Mahak Sanghvi:** Okay. Okay, thank you. And another question I wanted to ask tentatively if okay. And this USD 5 million that we paid to Silkflex, it is recorded in intangible assets under development, right?
- Tushar Sanghavi:** Yes.
- Mahak Sanghvi:** Okay. And this for these six months, the short-term advances have gone from INR35 lakhs to INR65 lakhs. What is that?
- Tushar Sanghavi:** That is advances to the supplier.

- Mahak Sanghvi:** Okay, that are advances to supplier. Okay. And the interest costs have also gone down for these six months, whereas the short-term advances have risen and so has the long-term advances. So, are we capitalizing interest costs right now?
- Tushar Sanghavi:** I couldn't get your question properly. Can you repeat the thing, please?
- Mahak Sanghvi:** For these six months, the finance costs have gone down compared to the March '25 six months. And our long-term borrowings have also increased and our short-term borrowings have also increased. So, are we capitalizing interest costs right now? Is it included in capital work in progress?
- Tushar Sanghavi:** Yes, because the monotorium period will be starting from the next year.
- Mahak Sanghvi:** Okay. And another question I wanted to ask that yesterday or the day before yesterday, the related party transactions were listed. And in that you paid your executive director 3 lakhs and you paid Raj Mehta 9 lakhs, the non-executive director. So, why there is so much discrepancy?
- Tushar Sanghavi:** Sorry to reply you now that I need to check that. I'll get back to you by the mail. Just you put down the email.
- Mahak Sanghvi:** Okay.
- Tushar Sanghavi:** I will reply you on that.
- Mahak Sanghvi:** Okay. And have you considered the cost benefit after manufacturing locally? Like, have you even considered the interest cost in your calculations for paying the interest on loans that you have taken for the plant?
- Tushar Sanghavi:** Yes, it's improved. EBITDA is nearby 3% to 4%.
- Mahak Sanghvi:** Okay. It will improve. Okay. That's it from my side. Thank you.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Tushar Sanghvi for closing comments.
- Tushar Sanghavi:** Thank you all for the participating in this earning call. I hope we have been able to answer your questions satisfactorily. If you have any further questions or would like to know more about the company, please reach out to our investor relations manager at X-B4 Advisory. And thank you very much once again. Have a nice day. Thank you.
- Moderator:** Thank you. On behalf of Silkflex Polymers India Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.