



ANALYSTS/ INVESTORS MEET OF SIYARAM SILK MILLS LIMITED HELD ON WEDNESDAY, 1ST JUNE, 2022

Present:

Shri. Surendra Shetty -Chief Financial Officer
Shri. Rajesh Tiwari -GM - Accounts and Finance

This is group meeting for Siyaram's.

Investor: Sir, can you explain the Sale for the F.Y. ended 31 March, 2022?

For the F.Y. ended 31.03.2022 the major sale in Fabrics that too two premium brands sale growth contributes to the bottom line. The premium brand comprise of blend of cotton, wool and linen etc.

In Cadini sale was around Rs. 250 crores.

In readymade garment we have a brand like Oxemberg, J. Hampstead and Mozzo.

Oxemberg is bit of medium range, J.Hampstead is a bit of higher range and Mozzo for the masses.

Aspiro is readymade garment, a brand for the channel partners.

Investor: Sir my question to you is, from the year 2014 to 2018, the EBIDTA margin used to be 11% and PAT margin around 5%. But from the last couple of years we have noticed that the EBIDTA margin has gone up to about 17-18% and PAT has also increased to about 9-10%. Can you throw light on the reasons for this change?

Shri. Surendra Shetty: *If you take average, EBIDTA margin may be about around 11%. EBIDTA margin went up year after year it was around 13% for the F.Y. 2018-19. In the F.Y. 2021-22 it was at 19%. During the pandemic we had got chance to implement what we learn earlier.*

Our level of inventory was always on the higher side.

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Working Capital requirement was 120 days to reduce the level of inventory. We have reduced our SKU's and concentrated manufacturing items contributing towards the bottom line.

Our borrowings were on the higher side. If you see our balance sheet of 31.03.2021 our Working Capital borrowing was almost NIL because we had a borrowing around 25 crores against that we had investment of 30 crores.

Further we have concentrated on recovery of receivables.

We were doing expenditure on Advertisement and sales promotion, that has been curtailed out of these certain expenses reduction is sustainable likewise lot of reduction in the expenses have been made.

We had Company owned operated shops(COCO). We had Cadini Shops in the prime locality of the country to promote Cadini brand, when we took this brand, we had selling pattern such as sale through the Malls, Sales and returns basis, on consignment basis. In this there was uncertainty of getting money. In the pandemic, we got lot of return of materials, therefore, there was impairment of stocks we have to book. We discontinued such type of sales, now sales means final sale.

For the first 6 months of the pandemic, we had incurred loss of Rs. 109 crores. This was the first time Company has incurred loss since its inception. We have managed to recover the losses in the next 6 month and ended up with the profit of Rs. 5 crore for the full year. Many cost reduction methods have been adopted, we had few raw material of lower rates, moreover, we had taken a price increase as the commodity prices has gone up, the market condition were also improved. All these resulted in improvement in EBIDTA level to 19%.

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Investor: Sir, with regards to old stock of lower value, how could the current margin sustain this?

Shri Surendra Shetty: Normally the yarn purchase book about 3 to 4 months in advance with spinner, so this was giving us enough time to adjust market condition and increase our rates in line with increase in the raw material.

During the year 2021-22 the commodity market picked gradually, however, as the market condition remain good. There was good demand for our products. Hence, increase in the raw material prices got absorbed.

Investor: I would like to ask how much inventory is kept for raw materials and what is the timeline? Also is there any increase in inventory?

Shri. Surendra Shetty: The working capital cycle is about 80-90 days. We book our raw material around 3-4 months in advance and fix the price. We follow a structured plan and keep our inventory level to the minimum, which also helps in reducing cost of expenditures. All these measures have contributed to an improvement in our bottom line.

Investor: Could you provide a breakup of the Rs. 1900 crores?

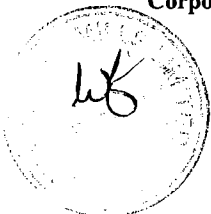
Shri. Surendra Shetty: Readymade garment was about Rs.258 crores, Rs. 170 crores from fabrics exports, Rs. 15 crores in readymade garments and balance from domestic fabric.

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J. Hampstead is around Rs. 200 crores and Cadini around Rs. 250 crores (Fabrics).

Investor: How much is Suiting Sales v/s Shirting Sales?

Shri. Surendra Shetty: About 75 % of our fabric sales is Suiting sales while the rest is Shirting Sales.

Investor: What is the reach of the Company currently and has there been any increase in the stores?

Shri. Surendra Shetty: Currently our presence across the country. We strive continuously to increase our dealers, which in turn leads to increase in the number of retailers. We are also constantly in the process of appointing agents area wise.

Investor: What is the cost difference between readymade and stitched garments?

Shri. Surendra Shetty: If you go to villages, cost of buying a fabric and stitching it is much cheaper than buying readymade garments. Also stitched garments provides a better fit than readymade ones and hence many people prefer them.

Cost of natural fibres like cotton are much higher than manmade fabrics and hence we have advantage over others in fabrics like blended fabrics. We are leaders in Polyviscose and blended fabrics.

Investor: What is your new manufacturing and outsource capacity in the sale?



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Shri. Surendra Shetty: As far as fabric is concerned, we outsource about 40% of our manufacturing and even in future we shall do the same or increase the percentage of outsourcing, as when new products are introduced we first manufacture them in our factory and then outsource it. The reason for this is we don't want to make our products public at the initial stages, because it will lead to copying of our products.

Investor: Sir, is there a target to increase the percentage of outsourcing?

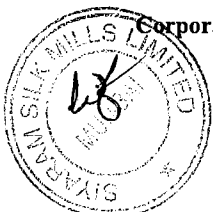
Shri. Surendra Shetty: Yes, whenever there is any incremental demand in the future we will outsource it. Due to Covid, a lot of good units are available with the best machinery. We identify such units and give them a contract. They in turn also require good companies who will make payments on time and continuous supply. Our company has a good brand name, marketing and network. Outsource we do under proper control and supervision.

Investor: Sir, with regards to growth of the Company, how do you see the growth for the next year?

Shri. Surendra Shetty: See, after the pandemic there was a good demand and in the next 2-3 years we hope to grow a CAGR of 10-15% quite easily.

Investor: Do you feel like this margin is sustainable?

Shri. Surendra Shetty: As I said the certain expenses can be curtailed permanently, however the few expenses have to be incurred. We are confident that margin would



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be better than our historical margin around 13%. We are confident that the market remains good and top line improves. We can achieve the margin of 17 to 18% without any problem.

Investor: What are your views on the 2-3 months which have already gone by?

Shri. Surendra Shetty: The sales in the month of April was very good. But market sentiments play a very important role. Today, everyone is talking about inflation and increase commodity market prices and there is an uncertainty in the market. But in the long run we feel the Textile market should be very good as we have our own domestic consumption and are not only dependent on the Export market Siyaram got every advantage to flourish in this market. Thus looking from a future perspective, we feel the demand should be good.

Investor: The prices of cotton have gone up and viscose has now become an alternative in some areas, so don't you feel the growth should be higher? Are you getting these kind of enquiries?

Shri. Surendra Shetty: In the normal scenario, minimum growth what I said we anticipate. No where in the world fabrics sold as brand. Readymade garment sold as brand. We get good enquiries from foreign customers, we supply to Branded readymade garment supplier from UK etc., however, we supply to their counters in Bangladesh/Srilanka etc. as per their instruction.

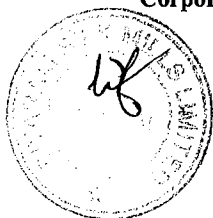
Investor: What is the average realization right now from proceeds of domestic exports?

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Shri. Surendra Shetty: Realization of Export market & domestic market is almost same, we always very choosy in accepting the orders. We not only see top line, but see the bottom line.

Investor: Sir isn't 18-19 % band of margin to be maintained?

Shri. Surendra Shetty: That should not be a problem if the market remains in a good condition.

Investor: In terms of CAPEX, what is the CAPEX plan of the Company for this year and the next year?

Shri. Surendra Shetty: As I have already mentioned, we will not go for any manufacturing capacity increase shortly. Normal CAPEX will be around Rs. 30 – 40 crores because we will have to adopt new technology as per the changes happening, no major borrowings will be there, so the funds will be utilized for reduction of working capital debt.

Investor: As per Policy, what is the advertisement and promotional expenditure as a percentage of Sales?

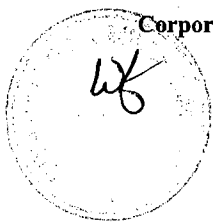
Shri. Surendra Shetty: There is no specific policy. Historically up to the Financial year ended 31 March, 2019 we had been doing around Rs. 60-70 crores on a yearly basis. Now in the last 2-3 years we have restricted the expenditure to Rs. 20-30 crores only. Curtailment of this expenditure completely cannot be done as it is a necessary to do expenditure for the Company.

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Investor: Any specific reason that even though sales is going up, it will not go beyond absolute level of Rs. 60 crores?

Shri. Surendra Shetty: If sales are going beyond a certain level, it will be more than absolute also. But percentage Term it will be lower.

Investor: Sir whom do we purchase raw materials from? Is it Grasim?

Shri. Surendra Shetty: No, Grasim makes viscose. We purchase yarn from spinners. Spinner takes viscose as well as polyester and makes yarn. We have a designing team which prepares the product for the next season so as to introduce it in the market. They prepare samples which then goes to the marketing department and once the samples are approved, the bulk orders are placed to the spinners. The spinners manufacture yarn as per our requirements. They take about 3-4 months to manufacture and supply the yarn and coming back to what I said, the price is fixed in advance. We then purchase the yarn and make the fabric which will go for further processing.

Investor: Sir Do we have any in-house spinning capacity or do we plan to have any?

Shri. Surendra Shetty: No we don't, the reason being we manufacture different types of fabrics for that we require various types of yarn and it is not possible to have all blends in spinning. Today we are branded & marketing fabric and readymade garment Company with marketing facilities.



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Investor: What is the total spinning capacity in India for manmade fibres?

Shri. Surendra Shetty: Manmade fabrics are consumed by the masses. It is a necessity item of the country and a very big market but no authentic figures are available as to what is the market size. But now due to taxation and other reforms, everything is coming under the organized market. Earlier there was a difference between the organized and unorganized market and hence the level playing field was different.

Investor: Is PLI benefit for our Company? But is it only for manmade fibres?

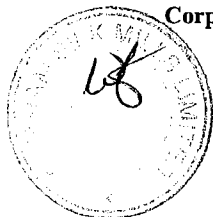
Shri. Surendra Shetty: I understand, PLI Scheme is for Textile industry, so far we haven't gone for it.

Investor: Sir as you said, if the demand is good then the price is good and you will sustain the margin. But internally what will you be tracking at your end?

Shri. Surendra Shetty: Internally we are tracking the yarn prices as they come regularly in the newspaper.

Investor: What is the credit period allowed by spinners?

Shri. Surendra Shetty: Normally if you see our Balance Sheet, we have strong liquidity, we buy raw materials on cash basis. We are one of the biggest purchaser



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and consumer of yarn & to take maximum advantage of prices, we make payments within 7 days from the date of delivery to avail all discounts.

Investor: Sir but our creditor in the balance sheet is higher right.

Shri. Surendra Shetty: That is due to creditors of other expenditure, packaging, advertising and other things. In this also we enjoy all discounts and make the payment as per terms.

Investor: Sir what is the kind of Input Cost inflation that you have seen?

Shri. Surendra Shetty: Inbetween it had gone up and then it reduced. Now it is at the peak again and has gone up by 20-25% from Pre-Covid level.

Investor: In last year overall growth, what would be your volume growth and what would be pricing growth?

Shri. Surendra Shetty: Volume growth I will send it to you. Today the market conditions are not very good because of inflation, cotton prices are at the top which cannot sustain so it will fall. A lot of marriages are in this season, yet the market is not picking up, but we hope the market conditions will improve soon.

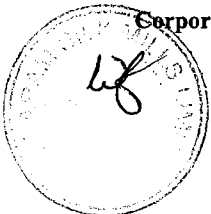
Investor: What is your expectation on the minimum EBITDA margin that you should surely be able to make? I am asking this question because two quarters back in cotton also we were fairly confident of the margin but cotton prices went up and they agreed that there was no more ability to pass on costs. So my worry is that if viscose and cotton prices go up and thus yarn prices also go up, and we also face the same challenges as ours is a mass product so do you fear the same?

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Shri. Surendra Shetty: We purchase only when we expect the market is absorbing the costs normally three months in advance we make our strategy to increase the prices. If we are not getting the bottom line or desired margin, we will not buy the yarn from spinners, in that case due this the spinners also cannot increase the prices.

Investor: But isn't the spinner just a converter? These margins are variable right?

Shri. Surendra Shetty: In this case, prices will have to be lowered. The yarn prices itself will come down. If Cotton prices are not sustainable, prices of demand for second option will be go up. Spinners in that case, will take advantage of the demand and will increase their prices. These prices have to be absorbed by the seller or weaver of fabrics. If they are not able to maintain it, they will not purchase from the spinners and it is thus a vicious circle.

Investor: Won't volume suffer in that case?

Shri. Surendra Shetty: This has never happened in the history of Siyaram. But if it so happens and volume reduces etc., then the price of yarn which they are quoting will not be maintained in the market and they will not get that price. Now see all the cotton manufacturers in South decided not to purchase cotton till the prices stabilize because the prices not absorbed by the market. Spinners had a good period after a

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long time in the last two years. That also we were able to purchase and sell in the market as the market could absorb it. Just imagine if we are not able to purchase then they will not sell it. But if you see our history, we are a Company which consistently maintains profits and has had no losses even in a single year. We are a middleman and are selling to B2C.

Investor: Sir, as a Company are we seeing the prices of yarn have peaked out or are we expecting it?

Shri. Surendra Shetty: Yes. I think it has peaked out now and especially cotton prices have gone up very high.

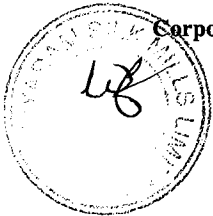
Investor: What do we call this yarn, as I would like to track the prices on Bloomberg? And in which paper is it released everyday?

Shri. Surendra Shetty: It is called manmade fibre. One paper is Tokoya trend, which you can refer to.

Investor: So is our first target to de-leverage?

Shri. Surendra Shetty: We have already done a lot of de-leveraging and continue to do it. If you see our history, we have not diverted a single rupee out of the Company. In Textile Companies, ups and downs come very often and those who are the fittest, only they can survive. We have kept the money in the Company and utilized it well.

Investor: The cash flow from operations for the full year was Rs. 35 crores.



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Shri. Surendra Shetty: See, the inventory and receivables compared to March 2021 was on the higher side. Sales picked up in Q4 and as I said, marriages are up to July this time, because of which we kept. This has affected the cash flow from operations.

Investor: Sir seeing all the restrictions being lifted, marriages happening and crowd limits being lifted, are we expecting this quarter to be a robust quarter for us?

Shri. Surendra Shetty: Barring unfortunate circumstances, the market remains good and should be good. We expect good sales.

Investor: Sir, normally Q1 is 53% of Q4 right as per seasonal demand?

Shri. Surendra Shetty: Normally during Diwali, we have a lot of sales. Q1 you are right as its monsoon season sales are low, sales will pick up from Pooja season. Last year marriages were postponed otherwise the marriage season normally upto April. Hence there was expectation of good sales in Q1 should be good.

Investor: So since normally its an average of 53%, do you feel this time it will be 65% of Q4 and there will be an increase in revenue?

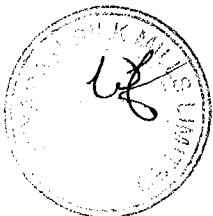
Shri. Surendra Shetty: It is difficult to make a constructive remark since there is so much uncertainty in the market. If you pick up today's newspaper it says that there is a rise in Covid cases, so all these are unforeseen circumstances. Otherwise everything is in line.

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Investor: Sir due to the shift from cotton to viscose, what are the additional enquiries we have received? And what about the export market?

Shri. Surendra Shetty: We don't make our products on the basis of an enquiry. We make our products and then sell them. Export market enquiries are good.

Investor: Okay. Thank you so much Sir.



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