



“Siyaram Silk Mills Limited

Q3 and 9M FY '24 Earnings Conference Call”

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MANAGEMENT: **MR. RAMESH PODDAR – CHAIRMAN AND MANAGING
DIRECTOR – SIYARAM SILK MILLS LIMITED**
**MR. GAURAV PODDAR – PRESIDENT AND EXECUTIVE
DIRECTOR – SIYARAM SILK MILLS LIMITED**
**MR. ASHOK JALAN – SENIOR PRESIDENT AND
DIRECTOR – SIYARAM SILK MILLS LIMITED**
**MR. SURENDRA SHETTY – CHIEF FINANCIAL OFFICER
– SIYARAM SILK MILLS LIMITED**

MODERATOR: **MR. AMAR YARDI – ORIENT CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 and 9M FY24 Earnings Conference Call of Siyaram Silk Mills Limited. 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 touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Amar Yardi from Orient Capital. Thank you and over to you, Mr. Amar.

Amar Yardi: Thank you, Viren. Good evening, ladies and gentlemen. I welcome you all to the earnings conference call of Siyaram's Silk Mills Limited to discuss the Q3 and 9M FY24 business performance. To discuss this quarter's business performance, we have from the management, Mr. Ramesh Poddar, Chairman and Managing Director, Mr. Gaurav Poddar, President and Executive Director, Mr. Ashok Jalan, Senior President and Director, and Mr. Surendra Shetty, Chief Financial Officer.

Before we proceed with this call, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. For more details, kindly refer to the investor presentation and other filings that can be found on the company's website. Without further ado, I would like to hand over the call to the management for the opening comments and then we will open the floor for Q&A. Thank you and over to you, Ramesh sir.

Ramesh Poddar: Thank you. Good evening, everyone. Thank you for taking out time to attend this call to discuss the third quarter and nine-month ended FY24 financial performance.

I hope you all have got an opportunity to go through our financial results and investors' presentations which has been uploaded on the stock exchange as well as on the company's website. I wish to express my heartfelt gratitude to all those who dedicated their time to join the call and have constantly been part of our journey. Let me give you a brief outlook on the industry.

The industry demand has been subdued for the last few months and we expect to moderate recovery in the coming quarters. The sales in the industry have been impacted due to the inflationary pressure. The festive demand also failed to cheer the textile industry players.

While there are short-term pains, we believe structurally India will benefit as we will continue to remain one of the fastest-growing economies for the next decade. Keeping this in mind, we have decided to increase our budget towards advertising and marketing, which will help us to gain market share and will benefit when demand from industry improves.

We also continue to expand our store presence across India. Our total store count has reached 239 stores as on December 31, 2023. The company is pleased to announce that the Board of Directors have approved a dividend of INR3 per share with a face value of INR2 each. The decision reflects the Board's confidence in the company's financial strength and future prospects, emphasizing our commitment to delivering value to our shareholders.

We closely observe the business dynamics and take proactive steps based on the current and near future expectations. Committed to improve our product mix, our strategy focuses on emphasizing processes, controlling expenses and seizing growth opportunities to enhance shareholders' value. We look forward to our committed support as we navigate the road ahead together.

With this, I will now conclude my opening remarks and handover the call to Mr. Gaurav Poddar to discuss the business performance in detail. Thank you.

Gaurav Poddar:

Thank you, Rameshji and a good evening everyone. Thank you for joining us on the call. Let me begin with a brief overview of the industry trends during this quarter.

Despite the initial festive momentum, it is noteworthy that consumer demand underwent a downturn, leading to a more restrained market environment. Despite the auspicious start with festivals such as Navratri and Diwali, the fabric and apparel segment could not sustain the demand thereafter, primarily attributed to the prevailing inflationary pressures. In this quarter, we reported sales of INR502 crores. In the corresponding quarter last year, we reported sales of INR501 crores.

As of December 31, 2023, our retail footprint stands at 239 stores across India. As part of our strategic approach, we remain focused in our efforts to enhance our market position. In Q3 FY24, we allocated INR17.5 crores towards advertising and marketing, a significant increase from the INR7.8 crores in the same period last year. Despite this rise in expenditure, we have delivered EBITDA margin of 13.6% in Q3 FY24.

This is in line with our stated objective of investments in brand building and increased visibility to gain market share. Despite the persistent challenges, we are confident that the textile industry will be on a path of recovery. The constant efforts of all stakeholders, including the government, along with the implementation of strategic initiatives, have positioned our industry favourably for sustained growth in the foreseeable future.

This collective commitment and strategic foresight are instrumental in steering us through the challenges and fostering a positive trajectory for our industry. We continue to give a strategic emphasis on the asset-light approach, which aligns with our long-term vision for efficiency and agility in operations. By leveraging this model, we anticipate enhanced cost-effectiveness and resource optimisation, paving the way for sustained growth.

We are dedicated to innovation and prudent business initiatives, and we remain optimistic about the positive impact these initiatives will have on our financial performance in the years to come. Now, I would like to request our CFO, Mr. Shetty, to share highlights of our financial performance, following which we will be happy to respond to your query. Thank you.

Surendra Shetty:

Thank you, Gauravji. Good afternoon, everyone. Our revenue from the operations for the Q3 financial year 2024 is INR502 crores, as compared to INR501 crores in Q3 of financial year 2023. Fabric constituted 85%, garments 10%, and yarn and others 5% of Q3 financial year '24 revenues.

EBITDA for the quarter is INR69 crores, and EBITDA margin for the quarter is INR13.64 crores. PAT for the quarter stood at INR44 crores, and PAT margin for the quarter is 8.8%. In the nine-month financial year 2024, our revenue from the operations is INR1,441 crores, as compared to INR1,535 crores in nine-month financial year '23.

EBITDA for nine-month financial year '24 is INR179 crores, and EBITDA margin stood at 12.4%. PAT for nine-month financial year 2024 stood at INR116 crores, and PAT margin is 8%. Thank you. That is all from my side, and we can now open the floor for the question and answer.

Moderator: Thank you very much. We have our first question from the line of Aditya Vora from Share India Research. Please go ahead.

Aditya Vora: Hello. Can you hear me? Am I audible?

Moderator: As there is no response from the participant, I would like to take the next question. The next question is from the line of Simar. Please go ahead.

Simar: Hi, sir. Good evening. Thank you for the opportunity. I have a couple of questions. One of your previous con calls you had mentioned regarding a store expansion to a number roughly about 30 to 40. How far have you reached? I believe in the last con call you had mentioned you had expanded to 10. Can you give me an update regarding that?

Management: In this year, in the 9 months so far, we have opened approximately 14 to 15 stores. Initially, at the beginning of the year, we had made a higher projection. But unfortunately, due to market circumstances and our model, it is an outright model where a franchisee has to invest in the stock. So, it is taking longer than expected time.

Simar: Got it. Got it. But, I mean, would you say 30 would be a sufficeable number for this year closing or is it far-fetched?

Management: I think for the rest of the year, there are three months left. So, since we are only at 14 stores for the year, 30 is a little bit larger number. We are trying to do as much as we can. But since this is an outright model where the franchisee has to invest, it takes a longer time to actually convince him to sign up for the store.

Simar: Got it. So, there is another question in terms of your three segments I can see which is 83% of which was contributing from fabrics. Can you give a break-up in terms of the margins from the fabrics, garments and yarn, if it is possible?

Management: They are more or less on the similar lines. We usually give margins as a whole company. So, usually, they are on the similar lines plus minus 1%-2%.

Simar: Got it. In one of your previous -- you had an order in the export. Which particular country or region are you getting to? Is it the GCC countries or...?

- Management:** See, we export throughout the world. We export our fabrics and garments in our brands and in other private labels. This particular export order was a uniform order which was a large-sized order which is why it was highlighted separately. This was executed in the last year.
- There was some impact in the third quarter last year as well of this. So, that is not there in this quarter of -- the quarter we are talking about. And this was a uniform order. It was largely due to the pent-up demand that was risen after COVID.
- Simar:** Right. And one small last question in regards to your Den-Knit, the new -- the e-commerce line that you have started, the B2B fabric and the Indigo fabric. Can you talk about that for a little bit?
- Management:** So, Den-Knit is a category that we had initially started. This was something that is new to the industry. We are -- new to the Indian industry. We are selling here Indigo dyed yarn in a rope dyeing process which is a very high quality of dyed Indigo yarn. And then we have also extended that to sell knitted fabrics, Indigo dyed knitted fabrics. So, this happened in a phase-wise manner.
- We are presenting our collections to brands and other customers due to market conditions and also this category being new, it is taking time for the brands to sample and accept this sale. But we have received very good response in all exhibitions that we have participated in. And this is a new and exciting business for us. We feel that this has good potential to grow.
- Simar:** All right. And sir, on the sales and advertising promotion side, how much do you think it is going to be contributing from the bottom like 3% to 5%? Is it the same guidelines that you are giving right now?
- Management:** Yes, it should continue to remain the same.
- Simar:** All right. Thanks a lot. I will get back in the queue.
- Management:** Thank you.
- Moderator:** Thank you. The next question is from the line of Nirav Savai from Abakkus. Please go ahead.
- Nirav Savai:** Hi. Thanks for the opportunity. My first question is regarding the INR75 crores of capex which we have announced. So, what exactly is this and where will it be invested in?
- Management:** There is an approximately INR75 crores capex that we have received an approval from the Board. This largely will be spent towards the second quarter of next year. If we look at the breakup of the spend, roughly about INR17 crores to INR20 crores of this spend will largely be in the solar power generation that we will set up in our plants, rooftop of the plants.
- The rest of the amount, we look to upgrade our capacities, upgrade our machinery under the TUF Scheme. But there will not be any capacity expansion as this is going to be replacement of old machinery and upgradation of machinery.

- Nirav Savai:** Okay. So, roughly about INR50 crores will go be an upgradation of old machinery only, which is under processing basically.
- Management:** Yes, leaving machinery and other ancillary processes.
- Nirav Savai:** Okay. And secondly, there has been a steep contraction in revenue for the garment business because I understand if 85% is your fabric. There has been a growth in the fabric business but the garment business seems to have contracted on a Y-o-Y basis. So, what exactly has led to this decline in sales?
- Management:** Yes. So, largely one of the main factors of garment business contraction has been the one-time order that reflected in this scale in the last year during these three quarters and even in the third quarter. But another reason for that contraction also is that the model that we serve in is largely a wholesale-driven, MBO-driven model which has faced tougher market scenario than the retail outlet business which is why the contraction seems higher.
- Nirav Savai:** Okay. So what was the quantum of export which we had in the last year because I think it was largely in the second quarter?
- Management:** Yes. It was largely in the second quarter and there was a balance amount which was there in the third quarter.
- Nirav Savai:** Okay. So, even if we adjusted the amount, there has been a steep cut.
- Management:** Yes. Even after the adjustment, there has been some cut, some degrowth in the garment business.
- Nirav Savai:** Right. And going forward, do we only see this wholesale model continuing or we will also go to the departmental large format stores?
- Management:** Going forward, we expect that our own retail is something where we look forward to more business coming for both fabrics and garments. But the wholesale model also will -- as the business revives, the wholesale model also will show more growth.
- Nirav Savai:** Right. And lastly, on this A&P side, you are saying about 3%-3.5% is something which will continue to invest in brand promotion, right?
- Management:** Yes. Still, last year and the years after COVID, we had reduced our advertising and marketing expense. So, the percentage was lower. But this year, the spend has become higher and unfortunately the revenue also hasn't been there. But the guidance that we had given about 3% to 4%, we will stick to that number.
- Nirav Savai:** Right. That's it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Nandish from Moneycontrol Research. Please go ahead.

- Nandish:** So, my first question is, sir, are these margins sustainable in the near term? 14% margin which you reported for the December quarter.
- Management:** We have always given a guidance of EBITDA margins between 14% to 16%. In this quarter also, we have managed to achieve very close numbers to that. Market situations are very dynamic.
- In the long term, we expect to continue giving these kinds of margins. But since in the short term, market dynamics are very volatile, we cannot comment in the short term. But yes, in the long term, these are sustainable.
- Nandish:** Sir, as per your reading, when is the industry likely to revive?
- Management:** I'm sorry, when is the industry likely to?
- Nandish:** When is your industry likely to revive?
- Management:** We had hoped for a revival just after Diwali as well. Unfortunately, that has not been the case. As a brand and as a participant in the industry, we hope that there is great market movement and all partners in the channel do very well. That is an endeavor from our side. We can only control what is in our hands and we are trying our best to do that.
- Moderator:** Thank you. The next question is from the line of Aditya Vora from Share India Research. Please go ahead.
- Aditya Vora:** So, I have a couple of questions. The first one was that you alluded to the fact that the festive season was very subdued. But any sense on the marriage season? And also do we see any revival currently in the month of Jan and Feb, considering the marriage season also goes on till Jan, Feb, March. So, any sense on that in terms of your garments business and fabrics also?
- Management:** Yes, thank you. So, we saw an uptick in the business in the month of October, the first month of the quarter last year. And after that, after the festive season, there was a marriage season, but the demand was not sustained. And we continue to see that trend in this quarter as well. We hope that the demand picks up for the marriage season, but it is very volatile and dynamic and hence we cannot give you a firm number.
- Aditya Vora:** So, currently you are not seeing any revival in Jan and Feb till now, or is it better than the previous two months which you had post the festive, November, December?
- Management:** Demand continues to remain subdued. While this is the scenario in the business, we try to do our best to deliver good results.
- Aditya Vora:** Right. Okay. And one more question was a related question to this. What is the key problem in terms of the industry? Because inflation is not generally a very big problem currently and there is consumer spending happening. If you look at the results of Trent and peers in the retail space, the results have been fabulous.

So, just wanted to understand what is the core problem for your part of the industry not performing well in terms of fabrics, which is a major part of your revenue and maybe the garments to some extent.

Gaurav Poddar: Thank you. So, we see our model is largely distribution driven and tier 2, tier 3 driven in rural India and across the industry we have seen subdued demand in the last, not only in the last quarter but also before that. We continue to see subdued demand now. But this is a temporary phase. We feel very strongly about this channel and this business.

This model seems that it will revive and then will start growing again. So, I think this is a short term problem and once we see the pickup then I think we will see better results.

Aditya Vora: Sure, sure. Thanks. And just one last thing, would you want to put any number on FY25 going ahead in terms of revenue guidance?

Gaurav Poddar: We would like to refrain from giving this kind of guidance at the moment because of the dynamic nature. Maybe at the end of next quarter we will be in a better position to answer this question.

Aditya Vora: Sure, sure. And how are we placed on exports currently? I mean, how much is exports as a percentage of sales and do we plan to increase the share and if yes, how do we plan to do that considering that domestic isn't doing so well currently?

Gaurav Poddar: Exports as a percentage is a small percentage of our overall sales. In the last quarter we had 11% of our contribution coming from exports. Again, this is a drop from last year because of the one-time order that also had a role to play. Other than that, we are largely a branded company with a focus on Indian distribution. Having said that, we have some manufacturing capacities and are focused on our export business. Market in the export is also subdued, but we hope that that business will also grow in the long term.

Aditya Vora: Okay, sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Yash Tawani from Ashwin Sheth Group. Please go ahead.

Yash Tawani: Yes, hi. So, I need to ask, like, what's the bifurcation for the – out of the total fabric sales in the shirting? What's the bifurcation for shirting and the suiting fabric?

Gaurav Poddar: We report fabric sales as a whole. So, this bifurcation actually changes depending on the season, depending on many factors. So, we report it as a whole, as a fabric sale.

Yash Tawani: Can you give a ballpark idea for a fiscal – any ballpark idea that this much percentage comes from shirting and this much comes from the suiting business?

Gaurav Poddar: We generally don't give this kind of number because it is not – it does not actually give an identification of the actual business that is happening. So, we like to report the full fabric number.

Yash Tawani: Okay, okay. Fair enough.

Moderator: Thank you. The next question is from the line of Vishal Bagadia from Roha AMC. Please go ahead.

Vishal Bagadia: Yes, hi, sir. And thank you for the opportunity. I was just wanting to understand if you could help us with the volumes for fabrics and garments separately.

Gaurav Poddar: We can talk about – you are talking about value?

Vishal Bagadia: Volume.

Gaurav Poddar: Volume. We can talk about the volume change from quarter-on-quarter of last year.

Vishal Bagadia: Yes, if you could help with that. Yes.

Gaurav Poddar: So, fabric volume was – has decreased by about 2% to 2.4%. Sorry, I am sorry. The fabric has decreased by about 1%. The garment has decreased about 23% after the effect of the one-time order. And the yarn and others has decreased by about 12%.

Vishal Bagadia: So, if you take out the one-time order, what would be the garment impact in terms of decrease in volume?

Gaurav Poddar: Yes, I am talking about after the one-time order.

Vishal Bagadia: After the one-time order. And so, how is the – since the raw material prices are now stabilized, maybe if that is the right thing, so how is the cotton yarn spread right now? How are things shaping up?

Gaurav Poddar: The yarn business which had a negative 12% volume, also the realizations were largely affected because of the cotton yarn spread, the raw material prices. The spread remains the same because we are doing indigo dyeing as a process. So, the spread remains the same on the input prices.

Vishal Bagadia: And so, just wanted to get some sense on the Den-Knit business. Since you are saying that it could be a total game changer, so how do you see it down the line, say two years or three years down the line and how could it change your business dynamics totally?

Gaurav Poddar: So, in a very qualitative way, I can say that this is a business that when we see the final product, it adds a lot more value in terms of comfort and feel to the final consumer. So, this is – once we present these two brands and other people who use denims, they give us positive response and we are trying to get shelf space into India category for this kind of product which is new for them and new for India.

So, based on the response, we feel that it is going to be a game changer because it is something that is innovative in the denim industry which has hardly seen much innovation in the last so many years.

- Vishal Bagadia:** Understood, but just some ballpark number of what the company is having a goal like we want to make it a INR200 crores business a year or a INR500 crores business a year, say two-three years down the line or somewhere like that. Some ballpark number if you could share.
- Gaurav Poddar:** I mean, we are talking more of a qualitative way because it is too far down the line and we are too much in a nascent stage to talk about these numbers. But definitely, this getting shelf space from these brands for this category is something that we are focused on right now.
- Vishal Bagadia:** And one last question on the working capital side. What is the current working capital cycle in number of days?
- Gaurav Poddar:** The net of working capital cycle that we reported was about 145 odd days.
- Vishal Bagadia:** 145 days. And how is the inventory right now? If you could give the split, inventory and receivables.
- Gaurav Poddar:** See, this is in the middle of the year, what happens in our industry is that there is a lot of planning and stock planning that is required, which is a three-four month cycle. So, the inventory fluctuates depending on time to time and also when the market remains subdued, then there is a certain increase in inventory, which is the case right now. But, I mean, we are at 145 days, which is quite healthy and I am sure we can improve on this number by the end of March.
- Vishal Bagadia:** Okay. And just one last question if I could squeeze in. January, February start, the first week has been a very robust week for weddings. So, how has been the response, if you could give some qualitative idea of how response has been, some sense on that.
- Gaurav Poddar:** So, as I mentioned earlier, the response has continued to remain subdued and it has not been to the expectation that we had at the beginning of the quarter.
- Vishal Bagadia:** Okay. Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Prerna Jhunjhunwala from Elara Capital. Please go ahead.
- Prerna Jhunjhunwala:** Hi. Thank you for the opportunity. So, I just wanted to understand the business environment, especially in the garment business. We have revenue share at 10%. How is it panning out for the near term and where do we see this business contributing to total sales in the next three to five years? That is the first question.
- Gaurav Poddar:** So, see the business has been tough in the last quarter and garment has decreased much more than the fabric business. We feel that the business scenario has been such and as the business picks up, this will correct itself. The garment business is a very small business for us right now in comparison to fabric.
- Hence, the growth will also be larger. So, the percentage contribution will increase. But giving a number as such would be too early and too nascent. But the trend will be on the increasing side.

- Prerna Jhunjunwala:** Do you think a 20%-25% growth in this business is possible? And if yes, how are you planning to achieve a higher growth in this business?
- Gaurav Poddar:** See, the garment business, we are again through the distribution and multi-brand outlet channel. So, we are expanding that channel and as well as that we are focusing on our retail stores which will help us get more shelf space and increase our garment business. To give you an exact number, there will definitely be more growth.
- But I cannot give you an exact number. But over the long term, yes, there will be much more growth in garment than fabric.
- Prerna Jhunjunwala:** Okay. And sir, how do you see competition in the garment business because it is a much more challenging business. Since there is competition even at the premium end as well as the mass segment or economy segment, so, how are you positioning your product so that the acceptability by the consumers is much better for our product range?
- Gaurav Poddar:** The garment industry, as you rightly pointed out, is a huge industry. And dominated by the unorganized or unbranded players. While there are the branded premium players, their share is smaller. But the unorganized and unbranded players, the share is much larger. For us, we have a very small market share in this industry. And therefore, we aspire to have much larger growth and better market share.
- Our brands are priced in the value segment. We have different pricing of different brands. But our philosophy is to have value for money pricing for a national brand. And if we are able to deliver quality and price to our customers, that is what we aspire to achieve.
- Prerna Jhunjunwala:** Understood, sir. And sir, second question on the fabric business. What kind of volume growth are we looking at in this business? In the next 2 to 3 years, time-frame. And what will be the major drivers for growth in the fabric business?
- Gaurav Poddar:** The fabric business is something that is core to the company. We believe in the distribution strategy. And also in the retail where we have our fabrics in the stores. In the longer term, we give the company guideline as 12% to 15%, which we stick to. However, in the short term scenario, in this quarter or maybe the next quarter, we are unable to give you any kind of guidance.
- Prerna Jhunjunwala:** Okay, okay. And sir, what will be our capacity in the fabric business?
- Gaurav Poddar:** So, I can give you as a term of percentage. You are talking about capacity, right?
- Prerna Jhunjunwala:** Yes
- Gaurav Poddar:** In terms of percentage, I can tell you that we are manufacturing about 50% in-house and 50% is outsourced.
- Prerna Jhunjunwala:** Okay. In FY23, you sold 100 million meters.
- Gaurav Poddar:** That is the sales equity, yes.

Prerna Jhunjhunwala: That is 50% outsourced and 50% in-house.

Gaurav Poddar: Yes.

Prerna Jhunjhunwala: It's fair to assume that. Okay, understood, sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Tranay from Green Portfolio. Please go ahead.

Tranay: Hi, good evening, sir. I hope you are doing fine. Sir, I have a couple of questions.

Moderator: There is a lot of disturbance from your end.

Tranay: Is it better now?

Moderator: There is a crackling sound from your end.

Tranay: I can try my best. I think it could be a network issue. Is it better now?

Moderator: No, it's again, but it's fine. Please go ahead.

Tranay: Yes, sir, I just wanted to understand from a strategic standpoint, how does the management perceive the sustainability of demand in the export market?

Gaurav Poddar: The export market, you are talking about the strategic demand in the export market, right?

Tranay: The sustainability of demand in the export market.

Gaurav Poddar: So, in the short term, the demand has remained weak, but in the long term, we feel that the demand will revive and we present our collections in exhibitions in Europe and other places. We recently completed one in Europe and received positive feedback for our collections. So, we are positive and excited for this business in the long term.

Tranay: Any specific reason for the subdued demand in the current scenario and what are the trigger points for the future anticipation of growth?

Gaurav Poddar: I think this subdued demand is more related to the global scenario in the overall market. However, we feel that in the long term, this is going to recover and we will see better times ahead.

Tranay: And sir, in terms of post festive season behavior of the domestic market, how does it align with the company's projection and the growth strategy?

Gaurav Poddar: I'm sorry, I could not get your question.

Tranay: So, in terms of, I just wanted some insight regarding the post festive season behavior of the domestic market and how does it align with the company's strategy?

- Gaurav Poddar:** So, when we started the quarter, we expected a good quarter because of the festive and marriage season and we planned for inventories and other resources accordingly. However, after the first month of buoyancy, the market demand was not sustained in the rest of the quarter. And therefore, we have to rework our planning and adjust accordingly, which is something we keep doing on a frequent basis because we have to keep adjusting to the demand and react as soon as we can.
- Tranay:** Sir, I believe this is now a practical side of the business, right? Because the festive season starts more or less, so the company would have a fair idea as to how it would do in the future as well, correct?
- Gaurav Poddar:** The festive season starts after Diwali. There are some weddings in November and December before the Shraadh season and then there are normally weddings again after January 15th when the Malmar period between December 15th to Jan 15th, there are no weddings. But before and after that, there are good weddings up until Holi.
- So, these are all festive and wedding months in the country and we normally have great, good sales during this time and good demand. However, unfortunately, this year after Diwali, we saw subdued demand and we continue to see subdued demand in January. So, we are unsure of how the market will pan out.
- We hope that the demand recovers and the marriage season picks up. But we continue to invest in advertising and we are sure that when the industry picks up, we will do very well.
- Tranay:** So, one final question regarding the garment side of the business. As you stated, as of now, the company has a very small proportion coming from this side of the business and you are really optimistic about the growth. And because it's a small base, so the growth in percentage terms would be greater.
- But how does the management actually want to strategically handle it? I mean, what are the steps or the planning that is being done over the next few quarters to a few years that would lead to this growth?
- Gaurav Poddar:** As I said, the garment business is a newer business for the company then the fabric business. Also, we have a very small market share in this business. It also contributes to a smaller percentage for the company.
- For growth of this business, we need to continue to invest in the design, research and design of our products, be more relevant for the industry, expand our network in terms of our channel. So, if we continue to do these things and we advertise correctly, reach our retailer and consumer, then this business will grow in a higher way.
- Tranay:** Are there any specific strategies related to adding the distributors in our network or probably having our own exclusive sales in the future?
- Gaurav Poddar:** In terms of distributors, there is always an ongoing strategy to add and remove distributors as and when we feel the need to and as and when we feel necessary based on his involvement and

his investment in the company. And as I already mentioned, we have plans for retail which we would like to expand and grow the business.

Tranay: Any specific numbers related to it, specifically in terms of having our own exclusive sales?

Gaurav Poddar: We aspire to open about 50 shops in the coming year.

Tranay: And the FY25 itself?

Gaurav Poddar: Yes, the next year.

Tranay: So, are you talking about the calendar year?

Gaurav Poddar: We are talking about the fiscal year starting next year, starting April.

Tranay: Okay, FY25. Perfect. Thank you so much, sir. And good luck for the future.

Moderator: Thank you. The next question is from the line of Aashka Trivedi from Kedia Securities Private Limited. Please go ahead.

Aashka Trivedi: Hello, sir. Thank you for the opportunity. So, my first question is regarding the initiative we started in the quarter 1, the Men's Bazaar Initiative. Just wanted to know how is it progressing so far?

Gaurav Poddar: So, this Men's Bazaar was a concept that we had started to open shops in the smaller Tier 3 and Tier 4 towns. And we started with a particular zone in our mind. And the idea was that with a small investment, someone can partner with us and have their own store.

We initiated this, the strategy and the vision of doing this in this year. We have opened our first store in this running quarter, the quarter 4 of this year. And we are starting off in a smaller way just to get a sense of how the market responds and the feedback that we get. And then we will grow this business. But we are receiving good response with the store that we have opened already.

Aashka Trivedi: Okay, sir. So, the target which you are keeping in mind, 50 stores for next year, does it include the stores as a part of this initiative also? Or right now there is no clarity regarding number in this initiative?

Gaurav Poddar: We are talking about 50 stores as a whole at the company level.

Aashka Trivedi: Okay. And sir, my second question would be on the denim kit. So, is any other player also in this field producing denim kit or we are the only one doing it?

Gaurav Poddar: We cannot say we are the only one. But our focus on the denim business is only on the knitted side. So, we are solely focused on the knitted fabrics as opposed to the woven fabrics.

Aashka Trivedi: Okay, sir. Thank you.

- Moderator:** Thank you. The next question is from the line of Jainis Chedda from Avendus Spark. Please go ahead.
- Jainis Chedda:** I am sorry. There is a small error. I am from Spark Private Wealth, not Avenda Spark. For just that clarification. My first question is to do with revenue. Can you give me a break up in terms of how much it is from own manufacturing versus outsourced manufacturing?
- Gaurav Poddar:** So, in general, in the fabric business, we have about 50-50 split between own and outsourced. And in the garment business, we have about 20% that we manufacture ourselves and 80% is outsourced.
- Jainis Chedda:** 20% in-house and 80% outsourced?
- Gaurav Poddar:** Yes, 80% out and 20% in-house. And secondly, in the light of recent launch of brands such as Ethnair, does the company intend to have a separate franchisee model for that brand or it will be the existing franchisee network itself?
- Gaurav Poddar:** Ethnair, we started as a fabric brand for ethnic wear, which was a new initiative in this year. At the moment, we are selling this through our new distribution channel that we have set up for this segment of product. We are also selling some of these products to our own stores.
- And whether we have exclusive stores or not is not something that we have strategized on yet. But we continue to sell this through our distribution business.
- Jainis Chedda:** And what is the outlook for this business?
- Gaurav Poddar:** This business has only seen one or two seasons, both of which have been quite sluggish. We are very positive about the outlook. The ethnic wear segment has increased shelf space and retail counters. So, we are quite bullish on this segment.
- Jainis Chedda:** In terms of growth or anything that you are targeting in terms of how much do you expect the brand to clock revenues in the next three to four years?
- Gaurav Poddar:** This business is too small. So, the revenue will be quite in multiple numbers. But I think this is too early to talk about numbers for a particular segment.
- Jainis Chedda:** Understood. And one last question from my end. What is the distribution strategy for our brand and any plans to add new distributors or exclusive stores on an overall business basis?
- Gaurav Poddar:** So, we are largely a distribution-led company. And we have multiple distributors across multiple categories that we sell. And we keep adding and reviewing our distribution network on a time-to-time basis.
- We look at how invested the distributor is with the company, what is his share of the business that he is giving to us, how he is performing. And based on these few parameters, we review his business, keep interacting with him. We have multiple opportunities where we are able to interact with distributors through our regular trade shows that we conduct and keep in touch with them.

- Jainis Chedda:** Thank you. I think that's all from my side. Thank you so much. I'll join back the queue.
- Gaurav Poddar:** Thank you.
- Moderator:** Thank you. The next question is from the line of Prerna Jhunjunwala from Elara Capitals. Please go ahead.
- Prerna Jhunjunwala:** Hello. Thank you for the opportunity. Sir, I just wanted to understand the brand performance. You have multiple brands. Could you help us understand which brands are doing better than company average or than your internal estimates? And which brands are where you will have to work upon a little more than in the past?
- Could you help us understand the various brands in your portfolio for both fabric and garment business?
- Gaurav Poddar:** So, when we look at the business, we look at the different segments of the business, fabric as a whole and garment as a whole. We believe that each of the brands contribute in their own way, in their own market and create their own space with their own network in the market. And therefore, we look at the category as a whole. So, that is the guidance that we can give on.
- Prerna Jhunjunwala:** Okay. You had introduced this Italian brand, Cadini. Could you help us understand how is it performing?
- Gaurav Poddar:** So, Cadini is an Italian brand that we had acquired few years ago, which has got great response in the industry. We have launched many products within this brand and have got good movement on retail counters. The other brands, Siyaram's and J Hampstead in the fabric business have also given good response.
- Prerna Jhunjunwala:** Okay. And second question is on demand. We know that December was not that great.
- Could you help us understand how is January and February been? I mean, February 10 days have just passed. And how was January month been from rural demand and from festive demand point of view?
- Because this quarter is an important quarter for wedding season for the entire year.
- Gaurav Poddar:** Yes. The fourth quarter is a very important quarter for us. Unfortunately, as expected at the beginning of the quarter, we have not seen that uptick in demand as yet.
- We continue to see the subdued demand that was prevalent in the last two months of last year. We hope that this demand recovers because this is an important quarter for us.
- Prerna Jhunjunwala:** Okay. Understood, sir. Thank you so much for all the time.
- Moderator:** Thank you. The next question is from the line of Yash Tawani from Ashwin Sheth Group. Please go ahead.

- Yash Tawani:** Hi, sir. Just to understand, do we have a ballpark number like how much market share that we have in the fabric segment in an industry as a whole in pan-India? Have you worked on this number?
- Do we have a ballpark? Just to get a ballpark sense that how much market share we have in our fabric industry as a whole?
- Gaurav Poddar:** See, the fabric market is a very unorganized market and is very difficult because there are no reported and researched numbers. We keep doing our own back-of-the-envelope calculations, but they are not something that we can talk about in a forum like this because they are not published and they are not verified.
- Yash Tawani:** Okay. Thank you. That's all.
- Moderator:** Thank you. That was the last question for today. Due to time interest, I would now like to hand the conference over to the management for closing comments. Thank you and over to you, sir.
- Gaurav Poddar:** We thank you all for your participation on this call. We look forward to interacting with you again in the next quarter. Thank you once again.
- Moderator:** On behalf of Siyaram Silk Mills Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.