

Date: February 12, 2025

To, National Stock Exchange of India Limited Exchange Plaza, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai-400051.	BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400001.
--	---

Scrip Code: 544314

Trading Symbol: SANATHAN

Ref. No: - 2024-2025/ Dec24/019

Dear Sirs/Madam,

Sub: Earnings Call Transcript pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

We hereby submit, pursuant to regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, the transcript of the earnings call held via webinar on Tuesday, February 11, 2025 at 1630 hours IST regarding the unaudited standalone and consolidated financial results of the Company for the quarter and nine months ended December 31, 2024.

The transcript has been uploaded on the website of the Company within the prescribed timeline and can be accessed at the following weblink:

<https://www.sanathan.com/investor-relations/financial-performance> .

We request you to take the same on your record.

Thanking You,
Yours Sincerely,

FOR SANATHAN TEXTILES LIMITED

Jude Patrick Dsouza
Company Secretary and Compliance Officer

Encl: As above



STL Earnings Call Recording December 2024

Jude Dsouza:

Good evening, ladies and gentlemen. It is my privilege to welcome you to this earnings call of Sanatan Textiles Limited for the third quarter and nine months ended December 2024. I am Jude D'souza, the Company Secretary and Compliance Officer interested with overseeing investor relations. I will be your moderator for today's session as we delve into the business and financial performance of the company. Please note all the participants will have their video disabled and audio on mute during the call. The participant asking questions will only be requested to have his or her audio muted, post the management commentary. The company will open for Q&A session. Interested participants may click on the raise hand icon at the centre bottom of the pane on Webex application to join the Q&A queue. The participant may click this option during the management commentary itself to ensure they find a place in the queue. Upon announcement of their name, the participant will be requested to unmute by the host. The participant must unmute by clicking on the 'unmute me' button. Post this, the participant can ask the question.

Before we proceed, I would like to bring to your attention that certain statements made during this discussion may constitute forward-looking statements. These statements are based on our current expectations, assumptions, and beliefs regarding future developments and are inherently subject to various risk uncertainties and factors beyond our control. Such forward-looking statements involve both known and unknown risk and we advise you to interpret them with caution. Now, it is my honour to introduce the esteemed members of our management team who are present with us today. Mr. Paresh Dattani, the Chairman and the Managing Director, Mr. Sammir Dattani, Director, and Mr. Sanjay Shah, the Chief Financial Officer.

Kindly note that this conference is being recorded and the recording will be made available on our website accompanied by a full transcript for future reference. Without further ado, I now invite Mr. Paresh Dattani, our Chairman and Managing Director, to share his insights and address the esteemed participants.

Paresh Dattani:

Thank you, Jude.

Good evening, everyone. Thank you for joining our Q3 and nine-month conference call. It's a pleasure to inform you that the demand this quarter has been consistent and so has the gross margins also been consistent. The quarter overall has been a stable quarter for us as expected by us. But on a year-to-year basis, when we look at the nine-month, our EBITDA as well as PAT has gone up by 30 percent. The gross margins on a year-to-year basis have moved up from 13.9 percent to 15.65 percent.

Looking ahead, we are commissioning a greenfield project capacity in Wazirabad in Punjab, which will increase our manufacturing capacity of polyester filament yarns from 550 tons a day to 1,500 tons per day in a phased manner. The first phase is expected to be operational by Q1 FY26. There, the work is on and everything is on course to commission in that quarter as expected by us.

Thank you. Now, I ask Sammir to take you through the business and operations of the company.

Sammir Dattani:

Thank you and a good evening to everyone.

India's textile industry is one of the largest in the world, contributing to 2.3 percent of the country's GDP. In the recent budget, the government of India increased its allocation towards the textile sector with a keen focus for the PLI scheme, which is focused on man-made fibre. They also have announced a five-year cotton mission scheme, which will improve the production of cotton. And they also have key policies to encourage the technical textile market in India, which is a \$29 billion market. At Sanathan Textiles, we are strategically aligned for the expected growth in the years to come because we are among the few companies that specialize in three yarn verticals. We make polyester filament yarns, cotton yarns and yarns for technical textile.

Further, the increase in the custom duty on import of fabrics in the recent budget will give a good advantage to the downstream domestic producers in India. At Sanathan, we have delivered a strong performance this quarter across all three segments, mainly due to stabilized pricing and operational efficiency.

Our sales quantity this for nine months has been 1,80,000 tons compared to 1,74,000 tons on a year-on-year basis, showing optimum use of the installed capacity.

This has given us a nine-month revenue of 2,260 crores and on a year-on-year basis, the gross margins have also improved slightly being 13.91 percent last year versus 15.65 percent this year. I would now like to hand over the call to Mr. Sanjay Shah, our CFO, to take you on the financial performance of the company.

Sanjay Shah:

For the quarter ended December 31st, 2024, revenue from operations stood at Rs. 743.13 crores as against Rs. 742.17 crores in Q2 FY25 on account of marginal increase in sales volume. EBITDA for the quarter is Rs. 58.47 crores as against Rs. 58.22 crores in Q2 FY25. PAT stood at Rs. 34.17 crores against PAT of Rs. 32.56 crores in Q2 FY25.

For the nine months ended December 31st, 2024, revenue from operations stood at Rs. 2266.43 crores as against Rs. 2201.37 crores in nine months FY24 led by higher sales volume. EBITDA for nine months FY25 stood at Rs. 195.17 crores as against Rs. 147.48 crores in nine months FY24 on account of higher volumes and better margins. Nine months FY25 PAT stood at Rs. 116.80 crores against PAT of Rs. 81.59 crores in nine months FY24.

Thank you all.

Jude Dsouza:

We shall now open for the Q&A.

The first line of question is from Surya.

Surya Nayak:

Thank you, sir. Thank you for giving me opportunity. So, sir, just to understand the contours of your Capex going forward, actually I was checking the deviation reports of ICRA.

So, why the amount remains unutilized for the IPO money that has been raised. So, please offer comment. And secondly, just continuing from the last conference call, just to understand when the capitalization of the polyester capacity, cotton yarn capacity and technical yarn capacity will be added and if you can quantify the gross block additions there too. You can be precise for the month of commissioning. That will be better for my understanding. And lastly, just one question is that I was understanding that your last quarter of the last year was very fantastic. So, where the EBITDA margin was very outlier. So, what is the reason for that? Whether such kind of thing also currently visible?

Sanjay Shah:

Okay. With respect to your first question on the utilization of funds from the IPO, see the company received the funds in the last week of December. So, we were able to utilize around Rs. 4 crores out of the funds received. There are three main objects of the IPO. First was Rs. 160 crores for repayment of loans of Sanatana Textiles Limited, which were done in the month of January, 2025. The second object was Rs. 140 crores repayment of term loans of Sanathan Polycot Private Limited that was done in the month of February, 2025. And the third was General Corporate Purpose. So, we managed to utilize the funds in the last week.

With respect to the CAPEX, as discussed earlier, the Punjab plant is expected to be operational in the first quarter of next year. The approximate CAPEX amount as explained last time is close to Rs. 1,850 crores. Post which we are planning to have our cotton project, the initial estimated is close to Rs. 400 crores. Post that we would be taking up the phase two of our polyester plant, the CAPEX would be around close to Rs. 250 crores.

Paresh Dattani:

And on your last question regarding the last quarter, yes, we had a good quarter. As I mentioned in the last call, that we normally look at the entire year performance, because quarter to quarter, there may be small variations, depending on a few factors like sales, like gross margins, raw materials, volatility, etc. So, on a yearly basis, we look at it. That's at about close to 9% EBITDA.

I hope this answers all your queries.

Surya Nayak:

Thank you, sir.

Jude Dsouza:

The next line of question is from Mr. Saket Kapoor.

Since there is no response from the line.

We move to the next line of question from Mr. Vikram Vilas.

Vikram Vilas:

Sir, what are the volume in this quarter? And if you compare to last year, same quarter, what was the volume growth or decline? If you can share.

Sanjay Shah:

Yeah, the sales volume in the current quarters were around 59,942 as compared to 61,862, a drop of 3% as compared to the previous year's quarter. But on an annual basis, sales have increased by 3.28% for the 9 months.

Vikram Vilas:

Okay, understood. And in terms of pricing, how is the pricing, if you look at synthetic or cotton yarn, even I think cotton prices also corrected. Is it having impact on the cotton yarn pricing, if you can give some views or even for raw material prices for synthetic in terms of PTA, MEG, how much is?

Paresh Dattani:

As the cotton prices, you are rightly saying the cotton prices have been a little soft, but cotton yarn prices have been more or less stable in this period in the last quarter also.

And that is what we expected to be going forward also. As far as the raw material for the polyester filament yarn, that is PTA, MEG, more or less, it's been stable. A few dollars plus and minus, but it has been more or less stable.

And so have been the yarn prices also.

Vikram Vilas:

So what is the effective cost?

Paresh Dattani:

PTA in dollar terms, the PTA cost that we have is about \$645 and MEG is about \$550 a ton.

Vikram Vilas:

So in our Punjab, how much loan, basically up till now, how much total capex we have done?

Paresh Dattani:

For Punjab polyester capacity, how much total capex we have done so far? We have already spent Rs. 1,450 crores as on December 31st and we have drawn about a thousand crores from our loan and Rs. 450 crores plus we have installed from our own accruals.

Vikram Vilas:

And last question is that what was the revenue mix from say filament, cotton and technical textile for this quarter or nine month whatever is available?

Sanjay Shah:

Yeah. The filament polyester contributed close to 77%, cotton 19% and Technical Textile close to 4%.

Even for the quarterly, the ratio remains the same.

Vikram Vilas:

That was it. Okay. Thank you, sir.

Jude Dsouza:

The next line of question is from Ms. Garvita Jain.

Garvita Jain:

Am I audible? Hello.

Hello. Yes, sir. Sir, actually I'm looking for two figures. One is realization and one is the spread which is COGS to sales ratio. So could you give me these two figures for all the three segments separately for the past quarter and for FY24 as well if possible, sir?

Sanjay Shah:

Only for polyester it would be close to Rs. 112 rupees per kg. Cotton would be excluding the scrap Rs. 325 per kg, right.

Garvita Jain:

And, sir, could you give me the idea about what has been the trend for the realization? Has it been increasing or there are fluctuations or what?

Sanjay Shah:

See, there were fluctuation in Q3 and Q2, but now they are stabilized since December. Realization for technical textile is close to Rs. 125 per kg.

Garvita Jain:

Okay. And no numbers available for spread, sir?

Sanjay Shah:

No.

Garvita Jain:

Thank you so much, sir. That's all from my side.

Saket Kapoor:

Small suggestion. If we could be provided an investor presentation, sorry, I could not find one along with our results. So, this volume numbers, the mix, the sales and the comparative data, these can be very easily provided to us much beforehand the call commences. And these are the basic data which we all investors or analysts would be looking forward going ahead, sir. So, kindly look into our request of providing the same in an investor presentation manner. And also, sir, where our facilities are and all the three segments, our capacity, the utilization levels, these are the basic inputs which are needed to analyse the number in depth. So, kindly look into the same.

Sammir Dattani:

Done. We have made a note of your request and very valid. From next quarter, we will be updating the investor presentation with all this information. As far as the larger company level information on capacity is concerned, it is available on our website even today. And the quarter updates we will present in the presentation.

Saket Kapoor:

Sir now coming to the point of the split up of sales between the three verticals, I missed your number. Can you just repeat once again for the three segments?

Paresh Dattani:

Look, consistently, we have given a percentage here and there. It is 77 percent of our revenue comes from the polyester filament yarns and about 17/19 percent comes from cotton yarn and about 4 percent comes from yarns for technical textiles.

Saket Kapoor:

And we are doing a CAPEX, which is to be commissioned at Punjab for the the polyester yarn only. So, this percentage is going to change to what level post the commissioning?

Paresh Dattani:

Yes, once we commission the filament yarn project at Punjab, this ratio will be more lopsided towards the filament yarn from moment till we commission our future cotton yarn and then we aim to, in a longer run, stay almost in the same ratio.

Saket Kapoor:

And sir, going ahead, what we have understood since we are new in the listed space, the more margins are done at the value addition level and not at the first level of yarn. So, what is the thought process of the management in just sufficing to keeping itself only to the yarn segment and technical textile being a very small percentage of the overall portfolio? And what could be the rationale since think the turnover ratios are also lower in terms of only catering to the yarn segment, the capital employed and the turnover ratio, what I was trying to make sense of.

Sammir Dattani:

So, in the last few years, our focus has been to expand backwards and forwards, but stick only to the yarn business. You're quite right that, you know, value addition happens in the chain, but we've been trying to focus on the valuation in the yarn segment at the moment. So, that's why our input are petrochemicals, PTA and MEG. What we sell are only the final yarns, the texturized yarns, the colored yarns, the stretch yarns, the value-added yarn products to the customers. We do not sell any intermediary products like polyester chips or POY. The yarns for technical textile, we are also, will be doubling in the coming year. Our current capacity is 9000 tons and we are adding an additional 9000 tons in the Punjab facility.

Saket Kapoor:

Okay. So, when we look at a small point, sir, when we look at the capital work in progress closing balance for September, the balance which is available, it was Rs. 772 crores. And I think so you have mentioned about Rs. 1850 crores being spent on the Punjab facility and that to be commissioned by the first quarter or by March, I think. So, it will be commissioned for March 2025, sir? Yeah.

Sanjay Shah:

The first quarter of FY 26. So, frankly speaking, as explained earlier during the call, we have already spent close to Rs. 1450 crores by 31st December. Substantial portion has already been spent.

Saket Kapoor:

Why the closing balance is showing at Rs. 700 crores? We are also capitalizing it. how should the depreciation line item looks once we commissioned it, once it is capitalized?

Sanjay Shah:

Some part would be lying in advances to creditors also, capital advances. So, once it is capitalized, the Punjab plant would have an annual hit of close to Rs. 90 crores towards depreciation.

Saket Kapoor:

Okay. And our ramping up exercise, sir, we will be, how are we going to ramp up this facility reaching the optimum level?

Sanjay Shah:

So, within one quarter, we would be fully ramped up for phase one.

Saket Kapoor:

And, and phase, phase one would be, if you could just give me some more colour, what is the total capacity addition in volume terms, 550 tons per day? I think so you have mentioned.

Paresh Dattani:

No, 550 tonnes is what we are producing today. Punjab will be in two phases. The first phase will give us close to about 250,000 tons annually. And the second phase will ramp it up to 355,000 tons annually. Okay.

Saket Kapoor:

And the total cost of project is 1850, phase one and phase two.

Paresh Dattani:

No, phase one is Rs. 1850 Crores. Phase two will be about Rs. 250 crores.

Saket Kapoor:

Okay. So, it is a long, long way. So, after this commissioning of the polyester in first phase, we will be going ahead with the cotton yarn part?

Paresh Dattani:

That's right, so, cotton yarn and the industrial yarn capacity addition will be done FY27. And the second phase of polyester will come in FY28.

Saket Kapoor:

And lastly, sir, our facilities for all the three, can you provide me the location?

Paresh Dattani:

Yes, we have our entire cotton yarn, yarns for technical textiles, and the filament yarn what is running today, that is at Silvassa. And the new filament yarn plant is at Wazirabad in Punjab.

Saket Kapoor:

Right, sir. So, I'll join the queue for the follow up. And we hope that more decimation as discussed in an elaborated manner.

And also, sir, would suggest that if we could hire a good IR team, investor relation team, or investor relation house that will cater to the investor queries and will create the awareness in the investing community, because now everything is shouldered on our Learned Company Secretary to take care of. So, I think so, IR would be a good idea to go ahead to create.

Paresh Dattani:

Yeah, we have the process and we will keep you informed on that.

Jude Dsouza

The next line of question is from Mr. Kunal Mehta.

Kunal Mehta:

Hi, sir. Good evening.

My question is how much is outstanding external commercial borrowing? And how is the repayment of that?

Sanjay Shah:

As on 31st December, it was close to 42 million euros. The half year instalments would be close to two and a half million. It would be a period of eight years. The last instalment would be due in 2030 to 2033.

Kunal Mehta:

Okay, sir. Thank you.

Jude Dsouza:

The next line of question is from Mr. Bhavya Jain

Bhavya Jain:

I have a question given that you have mentioned in the previous call that the margin in cotton is way more than polyester, even though the turnover of polyester and the filament is more than the cotton. Why doesn't the company also go for a capex in the cotton segment?

Paresh Dattani:

Hi, Bhavya. As we mentioned in the last call, over a spread of five years, we have seen that because of the asset turn of polyester gives us is about 2.1, 2.2 and the asset turn on cotton is one, the EBITDA margins are more or less similar over a five-year period on both the segments.

And coming to your second part that regarding the expansion of the cotton, as we have mentioned that we are on the process and we alternately, as we have been doing in the past, alternately we expand over the three segments. So, we give each segment a gestation period to stabilize and place the material also.

Surya Nayak:

So last time actually we spoke about the demand situation in the north and roughly one fourth of the capacity will be replacing with the Punjab facility which is currently coming from the Silvassa. So point is that if new competitors will be also trying in north, so will it hit the capacity utilization A, and B when the Silvassa will be replaced that quantum. So will it be, last time you hinted that some of the output will be exported also, but in the export we may not be competitive which is being seen in our export trade. So it is close to 4-5% only, not more than that. So in that case, will it be absorbed in the western or southern market as you said?

Paresh Dattani:

See, as far as the capacity of anybody adding to the capacity there, well, the industry will require more material over the next couple of years. So there is bound to be a growth. The question is where the growth comes from. But as we stand today, there are no further projects announced in the industry. And effectively a project of this size takes about two and a half to three years to commission. As far as our own capacity which we have been placing in the north, we have three options there. We either place it in the west where the growth is also happening downstream, we place it in the south or we export it depending on wherever we get a better net back. It's not that we are compelled to export that material. We have the option. The fourth option is, of course, that if we still feel that after our capacity there, we still have space to send it up north, we will do that. It all depends on the better net back that we get.

Jude Dsouza:

The next line of question is from Mr. Harsh Mittal.

Harsh Mittal:

So, my first question is to Paresh. Sir, any idea about how is the demand in the polyester yarn segment grown in Q3, industry demand I am speaking, in domestic wise?

Paresh Dattani:

See, as we stand today, Harsh, we are operating as an industry at about 84-85%, which effectively is almost close to 100%. Because the install capacity, certain capacities are defunct, but they are there on the paper. Effectively, this is what the industry will operate at. And with this operation of industry also, today, every piece of material is being sold. So, you can imagine the growth that has happened over the past one year, where the industry had added capacity, and yet today we are able to run the industry at 85%.

Harsh Mittal:

And second question is a small bookkeeping question, is that what is the foreign currency translation income or expense we have reported in this quarter, in the previous quarter last year, and in the sequentially in Q2?

Sanjay Shah:

So, in the current quarter, there was a gain of about 2.18 crores. In the previous quarter, there was a loss of about 2.04 crores. Okay.

Harsh Mittal:

Thank you. These were my questions. That was all, sir.

Jude Dsouza:

We do not have any more Q&A session questions. Thank you, Jude.

Paresh Dattani:

I also thank all of you to be on the call, and I thank the entire team at Sanatan for the untiring efforts and all our stakeholders for their continued support and

faith in the company. This is all from our side, and I'd like to thank you very much for your time and attention. Thank you.