SIYARAM SILK MILLS LIMITED

29th May 2023.

To,

BSE Limited, Phiroze Jijibhoy Tower, Dalal Street, Mumbai **Scrip Code: 503811**	National Stock Exchange of India Ltd. Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 **Company Symbol: SIYSIL**

Sub: Transcript of Analyst / Investor Meet held on 23rd May, 2023

In nexus to the captioned subject and in terms of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosed is the Transcript of the Analyst/ Investor Meet held on 23rd May, 2023.

The same will also be available on the website of the Company www.siyaram.com.

This is for your information and records.

Thanking you,

Yours faithfully,
For SIYARAM SILK MILLS LIMITED

WILLIAM VINCENT FERNANDES

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"Siyaram Silk Mills Limited Q4 FY23 Earnings Conference Call"

May 23, 2023

MANAGEMENT: **MR. RAMESH PODDAR - CHAIRMAN AND MANAGING DIRECTOR**
MR. GAURAV PODDAR - EXECUTIVE DIRECTOR
MR. ASHOK JALAN - EXECUTIVE DIRECTOR
MR. SURENDRA SHETTY - CHIEF FINANCIAL OFFICER

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

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 and FY '23 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 '*' then '0' on your touchtone 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, sir.

Amar Yardi: Thank you, Zico. Good afternoon, ladies and gentlemen. I welcome you all for the Q4 and FY23 Earnings Conference Call of Siyaram Silk Mills Limited.

To discuss this quarter and full-year business performance, we have from the Management Mr. Ramesh Poddar - Chairman and Managing Director; Mr. Gaurav Poddar - Executive Director; Mr. Ashok Jalan - Executive 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 risk 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, sir.

Ramesh Poddar: Thank you. Thank you, Amar. I am Ramesh Poddar. Good afternoon, everyone. A warm welcome to the Earning Conference Call of Siyaram Silk Mills Limited to discuss Q4 and FY23 "Financial Performance".

I would like to extend my gratitude to everybody who have taken time to attend our earning conference call and have constantly been part of the journey of Siyaram. Also, I am pleased to welcome everyone who is looking at our Company for the first time.

Established in 1978, through our fabric and garment business, Siyaram has carved a niche in the hearts and minds of millions. We deeply understand men's clothing needs and on the cutting edge of innovation and technology to make their dream a reality. Our legacy is the foundation on which our future is being built.

With a diverse range of natural man-made and blended fabrics, we have guaranteed expertise in every facet of the production processes. Our production, our products are now available in every nook and corner of India.

Our mission is to be the preferred partner to every stakeholder in the textile and fashion industry by delivering high quality fabrics, implementing design driven innovation, building trust, creating unsurpassed value and delighting customers time and again.

One of the key highlights of the Company's performance since listing has been the consistent in payment of dividends. We take pride in our commitment to creating value for our shareholders and sharing the Company's success through regular dividend payments. We are pleased to report that the Board of Directors have recommended a final dividend of Rs. 4 per share of face value of Rs. 2 each. The aggregate dividend of the year is Rs. 11, that is 550% per equity share.

Our ability to pay dividends consistently is a result of our focused on maintaining a strong financial position, effective capital allocation and prudent financial management practices. We strive to strike a balance between reinventing in the growth of our business and rewarding our shareholders for their trust and support.

I now hand over the call to Mr. Gaurav Poddar to discuss the business in detail with you all. Thank you.

Gaurav Poddar: Thank you, Rameshji, and good afternoon to everyone. Our Company went public in 1980, and since then, we have expanded our manufacturing, which now includes weaving, knitting, processing, garmenting, and indigo rope dyeing facilities in Tarapur, Silvassa, Daman and Amravati.

Over the years we have focused on excelling our capabilities in manufacturing with an in-house Research and Development team to cater to the needs of the clothing market in India. We have consistently aimed to meet the changing needs and preferences of our customers while maintaining the highest standards of quality.

Since 1991, our Company underwent the next phase of growth where we introduced and strengthened our brands. "Coming home to Siyaram" is a well-known tagline in all Indian households today. Currently, Siyaram offers a broad range of fabrics under multiple sub-brands.

We launched Oxemberg, a brand dedicated to ready-made garments with a wide portfolio of formals and casuals in shirts, trousers and denims. We also launched J. Hampstead offering a premium vested suiting and cotton and linen shirting fabrics, which was later also extended to garments.

We further extended the Siyaram's brand to offer casual and formal apparels catering to the evolving preferences of our customers under the brand name Siyaram's Mozzo and Inspiro. The launch of these brands allowed us to tap into a broader customer base.

The period from 2013 to 2020 was marked by several achievements. In 2013, Siyaram's was recognized as the most trusted brand by Economic Times and Nielsen Media Research, a testament to our commitment to quality and customer satisfaction.

In 2015, we acquired the Italian brand Cadini, adding a touch of European elegance to our portfolio by offering premium fabrics in suitings and shirtings.

In 2020, we achieved a significant milestone by setting a Guinness World Record for hosting the largest online textile Mahakumbh for retail management showcasing our industry leadership.

In the last two years post COVID, we have clearly focused on innovation and expansion in the product portfolio that cater to the new age requirements of aspirational Indians. We introduced DEN - KNIT, a knitted Denim fabric brand offering a unique blend of comfort and style in the Denim space.

We launched bamboo blended shirting fabric for the first time in India. We have also entered the ethnic wear fabric market, considered the market opportunity is large. The launches exemplify our commitment to staying ahead of the market trends and providing our customers with a diverse range of high-quality products.

Before I hand over the call to Mr. Shetty to discuss the financial performance, let me discuss our strategy for the business going forward. We have adopted an asset light model to expand the business in the future.

As a Company, we have taken a call to leverage an optimum mix of in-house production and outsourcing. Our manufacturing will largely focus on innovation and quality to deliver exceptional products that meet the evolving needs and expectations of our customers. This approach will allow us to scale our business and respond quickly to the changing needs in the demand with efficient use of capital.

Our store expansion will largely be done through the franchise model. We believe it's a win-win proposition. Partnering with Siyaram’s provides a lucrative and sustainable business model offering unmatched growth opportunities to our franchise partners. With a payback period of approximately three to four years, our franchise model enables partners to achieve profitability in a relatively short time. This approach not only helps us to increase our reach and gain market share, but also allows us to grow faster while maintaining lower debt levels and enhancing return on capital.

We will focus on leveraging our brands and expanding market share. Our spending on advertising and marketing will increase in the quarters to come. This will help us strengthen our existing brands and reach new audiences.

By capitalizing on the trust associated with the Siyaram's brand, we can foster customer loyalty and expand our market share. We recognize that the success of our consumer-centric business heavily relies on the strength and effectiveness of our distribution network. We are committed to expanding our network by improving the efficiency of existing channels and developing new partnerships and collaborations.

We currently have 800 plus distributors spread across the length and breadth of the country. We have more than 225 plus stores with 1.75 lakh square foot of retail space. Through these channels, we sell 100 plus million meters of fabric and 5+ million pieces of apparel serving millions of customers and counting.

Promoting tailoring in the community is an important endeavor for us. We recognize the value of tailoring in driving textile consumption. Therefore, we provide training to tailors across different geographies aiming to revive and promote tailor-made clothing. By supporting and empowering tailors, we contribute to the growth of the textile industry while offering personalized and customized solutions to our customers. Through these strategic initiatives, we aim to strengthen our position as a leading brand while creating long-term value for our customers, partners and stakeholders.

Coming to the performance in Q4 and FY '23:

We achieved significant growth in revenue while maintaining healthy EBITDA margins. This consistent growth reflects in the Company's exceptional ability to engage with consumers through our brands providing them with an unparalleled fashion experience.

Our focused approach on achieving a balanced distribution strategy and expanding our product categories alongside strong branding initiatives and the launch of new products have been key drivers behind this outstanding performance. We are thrilled with the response we have received across all product categories, and we are confident that our portfolio of products and brands will continue to drive growth.

Coming to the Outlook:

In the short term, we believe that the retail sales will remain under pressure in the current quarter led by weak demand. With the festival season in the second half of the year, we are positive that the demand will start recovering. Our Company will continue to remain dedicated to meeting the evolving demands of today's youth with our extensive range of fabrics and apparels.

With our financial strength, strong brands, manufacturing expertise, technical capabilities, and widespread distribution, our Company is committed to pursuing sustainable and profitable growth in the long run.

Now I would request our CFO – Mr. Shetty to share highlights of our financial performance following which we will be happy to respond to your queries. Thank you.

Surendra Shetty: Thank you, Mr. Gaurav. Good afternoon everyone. I am pleased to announce the financial performance of Siyaram Silk Mills Limited.

Financial 2023 performance. Revenue for the Financial Year '23 is Rs. 22,293 million, a growth of 17.1% year-on-year basis. This is the highest revenue in the history of the Company. Fabric constitutes 77%, garment 17%, and yarn and others 6% of Financial Year '23 revenues. The fabric business delivered a growth of 10.6% largely led by better product mix. Garments business delivered growth of 45.3% led by volume growth of 20.3% and value growth of 25.1%.

The sales in the last year included a large institutional export order, which comprised approximately 20% of the garment revenues. Exports contributes 12.8% of our sales. The operating EBITDA for Financial Year '23 is Rs. 3,688 million with operating margin of 16.5%, an increase of 10.4% on a year-on-year basis.

Quarter four Financial Year '23 performance. For quarter four Financial Year '23, revenue increased by 10.6% to Rs. 6,948 million on a year-on-year basis. Operating EBITDA for quarter four Financial Year '23 increased by 3.1% on a year-on-year basis to Rs. 1,213 million. Operating margin for quarter four Financial Year '23 dropped by 127 basis points.

PAT for quarter four Financial Year '23 increased by 14.3% on a year-on-year basis to Rs. 883 million. Net cash flow from operating activities for the Financial Year '23 is Rs. 2,354 million, up from Rs. 355 million for Financial Year '22.

Also during the year, we have reduced the debt by Rs. 619 million as against 31st March '22 taking our gross debt to equity 0.17 times the net basis, we have the net cash of Rs. 35 million.

Thank you. That is all from my side, and we can now open for the floor for the question answer.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Manish Ostwal from Nirmal Bang Securities Private Limited. Please go ahead.

Manish Ostwal: My question on your comment, one of the comment regarding the demand trend in the near term will be weak. Can you elaborate that comment? I mean, it has been weak in April or May? And any specific reason for the weakness of demand? And when you expect the demand to recover?

Gaurav Poddar: Thank you, Manish, for the question. See, in the short term, we believe that this retail sale is under pressure. There are wedding seasons that are in May and June. We expect the demand to revive for this wedding season and later on in the year also, there are strong weddings for which we expect the demand to revive. So, there is a weakness currently, but we expect things to normalize in the whole year.

Manish Ostwal: Secondly, you said about asset light model. So, our outsource volume or value of our total sales, what is the proportion of the fabric business?

Gaurav Poddar: So, in the fabric business, I can give you in percentage volume terms. So, roughly our outsource percentage is ranging between 45% to 50%, and this kind of outsource percentage gives us a lot of flexibility in how we manage our productions, and that is why we, and we have a strategy to follow an asset light model. So, in coming times this will only increase.

Manish Ostwal: And the distribution network you said the 800 plus distributors we have. So, what is your plan to expand this distribution network from the current level to, let's say, next three years? Where do you see this number to go?

Gaurav Poddar: So, this 800 plus distributors is across our fabrics and garments, and within the fabrics and garments we have several brands and then several sub-brands, and for each category we try to create a different network so that we can more effectively reach the market. And so it's not easy to give a concrete number as such, but we keep reviewing, and it's a constant process to see which areas are vacant, how each distributor is performing. If we see that there is a scope for the capital that can be invested in that market or a market that we feel can be penetrated further, then we review and add distributors accordingly.

Manish Ostwal: And last one data point. The Tier-2 and Tier-3 city sales as a percentage of total sales for the year FY '23, and the net debt figure you talked about 25 million, but in a presentation it is net debt of 20 crores given. So, I was confused with the number.

Gaurav Poddar: Mr. Shetty will answer this question.

Surendra Shetty: See, the debt level is 149 crore. Now investments we are having around 106 crores. So, net debt is around 20 crores.

Manish Ostwal: So, 20.8 crore, that is Slide #23, right, sir?

Surendra Shetty: Yes. 20 crores is the net debt at the end of the year.

Manish Ostwal: And Tier-2 and Tier-3 city sales number of the total sales for the year, sir?

Gaurav Poddar: It's difficult to give an exact number because our model is through a distribution channel and then goes to retail, but largely the sale is more Tier-2, 3, and 4. That is the model that we operate in.

Manish Ostwal: I mean, broadly, I am not asking specific number. It should be 70% something or what kind of the broad number?

Gaurav Poddar: Yes, I think that would be a fair estimate. Maybe higher because two, three and four, our market is more rural India. So, it could be even higher.

Moderator: Thank you. Our next question is from the line of Nandish from MoneyControl Research. Please go ahead.

Nandish: I wanted to learn more about any strategy regarding this China plus One, if we have any?

Gaurav Poddar: Thank you, Nandish, for the question. So, some manufacturing that we have in-house is for our flexible kind of production for value-added products. The rest of the production that we are doing is focused within India, and it is largely outsourced within India with our partners. So, we are in the branded segment where we are selling a value-added branded product through the distribution channel. The China Plus One strategy as such is more relevant for the export market, and we are largely in the branded distribution India business.

Moderator: Thank you. Our next question is from the line of Vishal Prasad from VP Capital. Please go ahead.

Vishal Prasad: So, we used to do 60, 70 crore of, I mean, we used to have 60, 70 crore of marketing budget, and we have reduced it to 20, 30 crores per year. Could you share the rationale behind the decision and what impact do you see due to the reduction in our marketing budget?

Gaurav Poddar: I am sorry. Are you talking about the variation in the marketing spend?

Vishal Prasad: Right. I mean, we used to spend Rs. 60, 70 crores on advertisement and other things.

Gaurav Poddar: So, the thing was that before, see, our Company is a branded Company, and we have to spend and invest on our brands to be relevant in the market today and reach new audiences continuously. Before COVID, we used to spend about close to 4% in advertisements and sales promotion, and marketing. Because of COVID and the need to conserve cash and be prudent, we reduced that spend to about 2% last year, but in the coming year we feel the need to go back to that 4%, 5% kind of spend where we need to strengthen our brand and we feel that that is the need of the hour.

Vishal Prasad: That answers my question. So, we have moved to the final sale mode. Earlier we used to give our products on credit. So, what has changed for our distributors and stockists? How do they deal with the inventory risk of slow-moving stocks? Do we organize the Expo where the customers come and choose and place the order? Or how is it?

Gaurav Poddar: So, the distribution business still there is credit in the business, but that is very limited due to the strength of the brand. To sell the products, of course, we keep organizing conferences and displays for our distributors and retailers where that is a constant process before every season so that they can interact with the Company, select the products, give their feedback and plan for future merchandise. So, it is a constant and a very involved process between the channels.

Vishal Prasad: So, from our customers' perspective, distributors and stockists, so how do they deal with the inventory risk of slow-moving stock? Earlier they used to return it to us. What do they do it with now?

Gaurav Poddar: There is still a small percentage of return, but largely the inventory is moved on to the channel ahead. So, whatever is left, there is a small percentage of return. Overall 4% to 5% is the return in the overall business, and it's much lesser in the fabrics, more in the garments. The garment business, the return whatever we get, we have our factory outlets through which we liquidate because in the fashion business, there is always going to be a percentage which is not sold. So, that is how we deal with it.

Vishal Prasad: And garments, they are able to sell it once they receive it because earlier they used to return the garments as well, right?

Gaurav Poddar: So, if the distributor has return of garments, we sell it to our factory outlets which is sold through them.

Vishal Prasad: And sir, going forward, since we are planning to increase our marketing budget, what kind of volume growth do we see in the next two, three years?

Gaurav Poddar: You are talking about sales growth? Sorry.

Vishal Prasad: Our volume growth, our sales growth or where do you see our revenue to be next two, three years?

Gaurav Poddar: So, we aspire to consistently grow at around between 12% to 15% year-on-year.

Vishal Prasad: Sir, what's our maintenance CAPEX?

Gaurav Poddar: Maintenance CAPEX is roughly around Rs. 30 crores. Rs. 30 crores to 40 crores around above that.

Vishal Prasad: The last two years we have spent 131 crore on CAPEX. So, what was that for? I think Rs. 60 crore, 70 crore would be maintenance and rest.

Gaurav Poddar: See, the rest of this in the last few years we have developed this Indigo rope dyeing facility and extended that to knitting. So, this was an opportunity that we saw a new market to be created in India, and we believe in this Indigo knitted fabric as a product in India. So, that is where this capacity was expanded, but in future this year, there is only maintenance CAPEX.

Vishal Prasad: Sir, what's the sale for J. Hampstead and CADINI for FY '23?

Gaurav Poddar: The largest, there are multiple brands and sub-brands in the fabric business, and overall the largest brand is Siyaram. So, J. Hampstead, CADINI still is more premium and relatively newer. So, the larger share comes from Siyaram.

Vishal Prasad: Would it be possible for you to share the numbers?

Gaurav Poddar: Unfortunately, we cannot share brand wise number, but the largest share is Siyaram and the other two brands are following that.

Vishal Prasad: Last question. Who is our typical customer in Tier-2 to Tier-2, four towns?

Gaurav Poddar: I think that Tier-2 and towns below that, tailoring is still a very attractive proposition for the customer. So, all male 25, 30 and above are our customers, and there is a large demand for this product in that market.

Vishal Prasad: Earlier when we were children, I remember Siyaram being used by people who used to be 35 or 40 plus. So, has that changed or still it is the same?

Gaurav Poddar: Yes. See, it is very difficult to estimate, but from our perspective, we are trying to create aspiration in our brands, and other than that we are trying to create new products in the fabric space as well as in the garment space. The Siyaram's brand has been expanded to the garment sector also to approach this new millennial customer. So, our efforts are there to approach a large base of customers throughout the country.

Vishal Prasad: And whom do you consider as our competitor, sir?

Gaurav Poddar: I think it's very difficult to take names. Every Company has their own positioning and trying to do their own thing. We believe in this India story, and we believe that our brands and our segment and our innovation can lead to good results for us.

Moderator: Thank you. Our next question is from the line of Nisarg Vakharia from NV Alpha Fund Management LLP. Please go ahead.

Nisarg Vakharia: I am looking at your Company for the first time. You mentioned, sir, that the advertising expense will go up next year. Two years, FY '22 and '23, we have done 17.5%, 18% margins which we have not done historically. Are these margins sustainable when you ramp up your advertising expense to the normal number that was in FY '19? That's my first question.

Gaurav Poddar: Thank you, Nisarg, for your interest. Of course, we are going to spend, as we mentioned, more this year in advertising, marketing and sales promotion, and we have not done that in the last couple of years as you rightly pointed out. And this, of course, will impact EBITDA to that extent. However, we feel that this investment is necessary and our brands will only help in growth going forward, but other than that we would like to maintain the EBITDA levels apart from this increased expense in advertising.

Nisarg Vakharia: Secondly, sir, if I look at your business, over the last four, five years you have done a fantastic job in terms of rationalizing your expenses in employees, your balance sheet deleveraging. However, if you look at the top line growth CAGR, it's for 10 years it's like 8%. So, are there any reasons why this top line growth is subpar as compared to what India grows as a market? And is that structurally going to change in the near future? Is there some benefit that we are getting from unorganized players going away? Is there some benefit that we are getting from some Chinese fabrics coming into the country which is now not coming? You know, just your thoughts on that.

Gaurav Poddar: See, if you look at earlier COVID, then if you look at the trajectory earlier COVID, there will be a different picture. And if you look at the results after COVID, then there is a different picture there because of the things that you pointed out of rationalizing and working on the balance sheet and moving forward. And going ahead, we aspire to, as I mentioned, grow at between 12% to

15% of sales growth. So, that is something that we are keen and looking forward to, and we think that this is the kind of expectation that we should have.

Nisarg Vakharia: And sir, I heard, if I heard it right, someone mentioned that there is a one-off export opportunity that was there in a garmenting business this year, right?

Gaurav Poddar: Right.

Nisarg Vakharia: So, is that a one-off or is that a base on which the garmenting business can grow at 15%, 20% above that base also? And how large was that export order?

Gaurav Poddar: As mentioned earlier that export order was about 20% of the garment turnover, and the reason this order basically there was a pent-up demand in the uniform segment all across globally, and we had this opportunity of an export order, which was a significantly large order, but it's not that this order is a one-time order, and it's not that it is going to repeat at this volume because of the pent-up nature of demand. And we continue to look for opportunities and profitable orders that we get in the future. So, we will continue to grow our garment business, but this high growth was due to this one order.

Moderator: Thank you. Our next question is from the line of Keshav Garg from Counter-Cyclical PMS. Please go ahead.

Keshav Garg: Sir, I am trying to understand that our operating margins have increased in the post COVID. So, now you mentioned that we will increase or basically double our advertising budget year-on-year. So, should we expect the operating margins to reduce by 200 basis points in FY '24 year-on-year?

Gaurav Poddar: I am sorry. Can you please repeat that question?

Keshav Garg: Sir, due to us doubling our advertising budget from 2% to 4% of revenues, should we expect a decrease in operating margins by 200 basis points for FY '24?

Gaurav Poddar: See, it is our endeavor to maintain EBITDA margins. We understand that this year there will be higher advertisement and marketing spend, and to that extent it will be effective. However, we strive to deliver the best kind of value.

Keshav Garg: Also, sir, are we planning to take any price increase across our portfolio? And sir, what was the last price increase we took? And what are the plans for the future, as well as what is the movement in raw material prices?

Gaurav Poddar: So, in the last couple of years, raw material has been really volatile, and based on that we have been taking price increases as required. So, there are, see, in our business, it's a fashion business. There are new products, and when there is a new product, automatically, there is a new price. But in regular products, then there is price increase that happens based on how the market moves and how we perceive the future movement to be. So, that is a very regular process which is not, it's not fixed that it is done weekly or monthly or anything like that. So, there are too many moving parts to give an exact answer, but now the raw material price looks in a kind of a stable environment, and hopefully, this year it will remain stable.

Keshav Garg: And, sir, like we mentioned the 12%, 15% revenue growth, so starting FY '24, can we expect such kind of revenue growth year-on-year?

Gaurav Poddar: It is our aspiration in the next three years to do this kind of number.

Keshav Garg: Lastly, just one thing, sir. So, 77% of our revenue is coming from fabric sale and this percentage has actually increased in the past few years from around 73%, 74%. So, going forward, I mean, in the next 10 years, do you see this trend of ready-made garments taking over more and more from tailored garments more so in rural and Tier-2, Tier-three cities?

Gaurav Poddar: See, the fabric business has a very large base as compared to the garment business. So, we are not looking at the percentage contribution of which business to the overall sale. We are looking at how we can expand these businesses individually. They have their separate distribution channels. So, there we are looking at them independently. We are not looking at how much one can, what will be the percentage of one business for the overall turnover.

Keshav Garg: Sir, what I am trying to say that sir, garment revenue, ready-made garment sales are increasing at a far higher rate than fabric sales. So, obviously, market is shifting from tailored fabric to ready-made garments, and if you see the ready-made garment players, they are approximately today 50% higher in terms of revenue than pre-COVID, whereas we are more or less like let's say 10%, 15% higher than pre-COVID. So, sir, do you think that this trend is going to accelerate going forward and ready-made garments are going to increase at the cost of our fabric sales?

Gaurav Poddar: Yes. I agree with your overall thesis, but the fabric market still is a very largely unorganized. So, there is a lot of scope for the branded players to make a large impact in that segment. Base in the fabric business is also very large. The garment business overall is a much larger market and it is much, much more unorganized. So, that market is also growing strongly, and our base in that market is much smaller. We have a much more dominant leadership kind of position, market share, higher market share in the fabric business, and we also have strong brands, and we have been in the fabric market for the last three or four decades. So, I mean, we see growth in both areas, and we don't want to look at how each, what the percentage contribution is to the revenue.

Moderator: Thank you. Our next question is from the line of Nirav Savai from Abacus AMC. Please go ahead.

Nirav Savai: So, my question is apart from these two businesses, which is branded fabric and branded apparels, are there any new emerging businesses, right size of the opportunities we are still looking at it and maybe it's a smaller size but can eventually be a key growth driver for the Company?

Gaurav Poddar: Thank you, Nirav. See, as you mentioned, the largest businesses is branded fabrics and garments for us, and that itself is growing. Other than that, we have a yarn business, which is relatively new, and we believe that that is also a strong category going forward because that is in the B2B segment. We have launched a new product, which is Indigo Knits for top and bottom wear, which is a new market, but it is, we feel that the knitted fabric will be a strong market going forward in the Denim segment.

Nirav Savai: And apart from this in this franchise, even franchisee operated stores, we have about 225 stores. So, any good target where we can see this in the next three to five years? Because we would have limited competition in Tier-three, Tier-four in our price range kind of products. So, any kind of target which you can trust, which if you have internally decided something, what can be the kind of size of this retail business in the next three to five years?

Gaurav Poddar: Right. So, we have about 225 stores now, and we expect to open about 50 stores, close to 50 stores this year, and we aspire to maintain this kind of speed in the coming years also.

Moderator: Thank you. Our next question is from the line of Surya Narayan from Sunidhi Securities. Please go ahead.

Surya Narayan: Just to understand the yarn business where we entered into the Indigo Knit, so what was the opportunity we look at? Because the individual companies in the Denim business, they are having their in-house knitting capacity. So, what exactly we want to create a differentiation? This is question number one.

Gaurav Poddar: Thank you, Surya, for your question. So, the Denim business as you mentioned, there is a large capacity already available. So, the Denim business is a large market, and like you said, there is a lot of capacity available, but that capacity largely is in the woven segment. So, Denim bottom wear traditionally and what we see in India now is largely a woven market. So, it is woven with the Indigo Yarn. What we are, the capacity that we have set up is knitted fabric, which is Indigo dye. So, that knitted fabric is a completely new market and that gives additional comfort and flexibility to the user. We feel the market will shift from woven to knitted, and that is why this investment was made.

Surya Narayan: So, how much investment has gone into that, sir?

Surendra Shetty: 120 crores we invested.

Surya Narayan: 120 crores. And what kind of revenue we have generated so far last year?

Surendra Shetty: Last year approximately 5%, 6% of our overall turnover was through this business. And the business is very new, and we are still setting up this opportunity because the market is a new market, and we are trying to create this market. We have got a good response so far, but it takes some time to convert into business.

Surya Narayan: Is it related to top wear or bottom wear?

Gaurav Poddar: We are selling Indigo Knit fabrics. So, if we make lighter weight fabrics, it can go in top wear and heavier weight can go in bottom wear. So, it's agnostic to top and bottom, agnostic to male, female, kids. So, it can be used as an Indigo product.

Surya Narayan: And sir, to get your color of your business, I mean, in the fabric, what is the B2B component and B2C component?

Gaurav Poddar: So, the largest part of the business is the branded business. So, B2C is much, much higher. It is more than three-fourths of the business.

Surya Narayan: B2B will be how much?

Gaurav Poddar: It is smaller. The largest share comes from the B2C segment where we are selling our brands through a channel.

Surya Narayan: And the garment side to understand how much is related to, I mean, if you, let's say, categorize into formal wear and casual wear and related fashion wear, then what would be the formal wear which is including your uniform business?

Gaurav Poddar: Very difficult to categorize it like that. We are in the branded business to distribution, and as the market, whatever the market demands, we are able to add that kind of product. We are available in all the segments, and so formals and casuals both are something that we are looking forward to.

Surya Narayan: I mean, just want to understand whether your uniform business, which is primarily I believe a kind of a regular business, so whether that is coming from the school uniforms or it is kind of a military uniform or industrial uniform?

Gaurav Poddar: We have a school uniform business in the fabric and garment sector, and largely that is school and corporate uniforms, but that is a small percentage, and that too is somewhere influenced by the brand. But largely, the business is branded business for consumers which is going through retail or channel.

Surya Narayan: Because just now you have concord to somebody's in a view that you don't look at changing in the paradigm shift that is happening as more fabric is turned into the garments and people are more interested for garments because of efficiency in the prices because the production processes, because the readymade tailoring is very costlier than the mass made garments. If that is the case, then why we are not changing our attitude towards business or approach to the business?

Gaurav Poddar: All our businesses that we are in are important to us. The garment business is growing, and the garment market, as you rightly pointed out, is also growing. But the fabric market is very unorganized. It still has a large percentage of unorganized, and that is a market share that is available to all the branded players to grab. And regarding to tailoring, we feel that in the Tier-2, 3, and even lower than that, tailoring is still very effective and cost effective, as well as people are also prefer to get customized solutions for their product in the wedding seasons and in other times for their needs. So, this perception of higher tailoring is true for the Metros, but in the interior of India it is still there a lot of time for that to happen.

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

Aashka Trivedi: So, sir, I had a question on what would be our average realization per unit in the premium fabric category?

Gaurav Poddar: So, it's very difficult to define between premium and mass and because the market is depending on how the market moves, we make that kind of product, and the business also includes suiting and shirting. So, it's not a correct benchmark to look at an average realization number because it is a mix of different fabrics, different blends and between top wear and bottom wear. So, I think that average value is not a benchmark that we should look at.

Aashka Trivedi: And sir, I was looking at the presentation and the volume growth in the fabric segment is the negative 0.7% from FY '22 to FY '23. So, can you just help me understand this number?

Gaurav Poddar: The volume growth is largely flat. It is a small amount, value here and there. So, it is a largely flat volume growth. The growth has been led by value which is related to premiumization as well as inflation.

Aashka Trivedi: And in fact, at the yearend, our inventory levels are somewhere at 422 crores. So, can you give me a bifurcation between what would be the raw material percentage and the finished goods percentage in the inventory?

Gaurav Poddar: Again, that is not a parameter that we should look at because in the seasonality of the business, there is always going to be sometime there will be more finished goods, sometimes there will be more work in process, and sometimes raw material. Since we are largely focused on outsource, we are able to be flexible and based on the planning adjust accordingly. So, we should look at the total inventory rather than break it up between these three.

Aashka Trivedi: And one last question would be on the franchise. So, we have stated that there is a loyalty program with 2.17 lakh members. So, what is this program basically?

Gaurav Poddar: Basically, this is a program where we collect numbers of these customers and then we interact with them regularly for new products or for their birthdays or other such things where we can be in touch with them and create a better…

Aashka Trivedi: These are basically the customers, right? These members are basically the customers.

Gaurav Poddar: Yes, of course.

Aashka Trivedi: And the payback periods which are stated in the franchise model is three years. So, also payback in what terms like the investment is from our side or from the person who has approached us for the taking up the franchise?

Gaurav Poddar: The franchise has to invest in the store in terms of building it as well as the merchandise that he buys and against that his payback is between three to four years.

Moderator: Thank you. Our next question is from the line of Tarun Rathi from Suman. Please go ahead.

Tarun Rathi: Could you please throw some light on the ethnic wear fabric business? Are we catering to B2B or we catering to B2C?

Gaurav Poddar: Thank you, Tarun. So, in the last year, we, this ethnic wear as a segment is growing in the country, and we started this brand under the name of Siyaram. So, it is a sub-brand under Siyaram. It is a branded fabric business where we reach the retailer through a channel, and we sell branded fabric to the final consumer.

Tarun Rathi: We are not in B2B like Vedant and Raymond?

Gaurav Poddar: No. So, that would be more of a B2B driven business where they would use their brand, and we would just be a supplier of fabric. We are in the consumer business where our fabric would be available at a retail store and the consumer can buy the Siyaram branded fabric and get it stitched.

Moderator: Thank you. Our next question is from the line of Prerna Jhunjhunwala from Elara Securities. Please go ahead.

Prerna Jhunjhunwala: Sir, just wanted to understand your revenue mix going forward in the next three to five years. Will it be fabric driven only or we can see the share of garment and Indigo Knit yarn and fabric improving materially given the opportunity size is very huge?

Gaurav Poddar: Thank you, Prerna. As I mentioned earlier, it's not accurate to look at percentage mix of the segments. We, of course, the garment, the base is smaller. So, the growth might be larger. The yarn business is a new business. So, there also the growth might be larger, but the fabric business itself also there will be growth because of the unorganized segment that is still existent.

Prerna Jhunjhunwala: But can we see this garment and Indigo Knit yarn share improving to 30%, 40% going forward, not immediately, but maybe five years down the line, something? I mean, just trying to understand the vision towards which you are working on these two segments.

Gaurav Poddar: I think five years down the line is too far out. We are looking at a consistent growth between 12% to 15% as I mentioned. And as I mentioned, these two segments will grow relatively larger, but the base is small. So, how much percentage impact it has on the overall contribution is something that we have to see.

Prerna Jhunjhunwala: And how is the profitability in the Indigo Knit Yarn business? As you have entered the business, you would have just thought about it at a higher scale. What kind of margins this business can do?

Gaurav Poddar: So, this is still a very new business, and this knitting we feel that is a something revolutionary for the Denim industry, and right now we are focused more on how we can utilize the capacity and create this market. So, definitely there will be margins because this is a category that is not easily available in India. So, I hope that…

Prerna Jhunjhunwala: What is the utilization level currently?

Gaurav Poddar: At the moment, we are about 50% to 60%, and we hope to increase that in this year.

Prerna Jhunjhunwala: Last question from my end. In one of your slides, you have mentioned tailoring services as well in your franchisee model. So, are you looking at something like premium tailoring services provided for high-end fashion content or is it a normal tailoring service which you generally find in any of the neighborhood store to provide tailoring service?

Gaurav Poddar: Tailoring is a very customized business, and it is very important to increase the fabric sale and fabric business, tailoring we feel is a must. And for every franchisee, we tie them up with some kind of a tailor there who is locally available, try to make him when once there is a certain volume, then he tries to make him dedicated to the shop, and we give him the required training and material so that the quality is of a particular standard.

Moderator: Thank you. Our next question is from the line of Shrey J from Swan Investments. Please go ahead.

Shrey J: So, sir, till the last quarter, I think, we were giving out volumes in our fabric, garment and yarn business. So, I think this quarter we have not given it. So, could you just help me with the volumes for each of the segments for quarter four as well as the full year?

Gaurav Poddar: Yes. Thank you, Shrey. As I mentioned earlier, we have more than 100 million meters of fabric and 5 million pieces of apparel, and further than that we cannot give any more breakups.

Shrey J: And any color on the realization, any segment?

Gaurav Poddar: I am sorry.

Shrey J: Realizations in each of the segments. I think that also, that data also used to share earlier.

Gaurav Poddar: Realization, see, again, I said that that is not a benchmark because the realization will be a mix of very different kind of price points and different kind of blends of shirting and suiting, shirts and bottom wear. So, I think that is not a benchmark that we should be…

Shrey J: No, I agree, sir. But just to understand fabric, garment and yarn business specifically. I don't want suiting, shirting. I just want the whole segment as a whole.

Gaurav Poddar: We have given the kind of estimated volume that we have done. So, I think this number can be calculated based on the same.

Shrey J: My second question is, sir, you spoke about the CAPEX. Last two to three years of CAPEX you said you spent on the Indigo dyeing bit. But when I look at your presentation, it mentions that the Indigo dyeing was done in about 2013 to 2020. So, a large part of the CAPEX I think would have happened in those years. So, what is this CAPEX that we have done in the last two years, three years?

Gaurav Poddar: So, the 2013 to 2020 presentation was just an indication of the time frame. The actual investment was done in the last couple of years. We started with Indigo dyeing first, and then we added the knitting and processing capacities.

Shrey J: And so when I look at the CAPEX for '16, '17, and '18, that was about 75, 85 and 145. So, what was that on? That was more on the garment side only, is it?

Gaurav Poddar: That was a mix of our existing capacities and upgradation of our process houses.

Shrey J: And sir, just the last question on the garment side. So, when we look at a similar player in your business, so you are saying about 2% to 4% is what the industry is growing at. Now both of you guys are guiding for about 10%, 12%-odd growth in this business. So, what is it that is happening? Is it that you guys are taking market share or what is really happening in the industry?

Gaurav Poddar: I cannot comment on anything else. I can comment on our business. We feel that our brands are, we have strong brands. We have a good focus team and a strong distribution network. So, we believe in that, and we look forward to this kind of number which I mentioned to you.

Moderator: Thank you. Our next question is from the line of Naitik Mohata from Sequent Investments. Please go ahead.

Naitik Mohata: Most of my questions have been answered. So, just a data point. The advertising and marketing expense for Financial Year '23, so what would the absolute number be like?

Gaurav Poddar: It was about 2%. So, I think that can be calculated.

Naitik Mohata: And sir, secondly, to add on the concerns of my previous participant as well, so the advertisement expense that we are planning to increase from 2% to 4% going forward, so how badly could that impact on our margins, like are we targeting some margins, some percentage margins in FY '24 or we are confidently despite will increase the absolute value of advertising expense but the overall impact on our margins would not be that much because our sales would grow hand-in-hand as well?

Gaurav Poddar: So, all of that will play out. As you are rightly mentioning, we aspire to maintain similar EBITDA margins. But of course, this advertisement increase will have a impact on that, and that we will see how it comes. But our endeavor is to spend about 4% to 5% because we feel that to strengthen the brand is the most important thing we need to do now.

Moderator: Thank you. Due to time constraint, that was the last question of our question-and-answer session. I would now like to hand the conference over to Mr. Gaurav Poddar for closing comments.

Gaurav Poddar: I would like to thank everyone for taking time out to attend the call. I hope we have been able to respond to your queries adequately. If you have any further queries, please feel free to reach out to us or Orient Capital, our IR Partners. Have a great week ahead. Thank you very much.

Moderator: Thank you. On behalf of Siyaram Silk Mills Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.