

RSWM/SECTT/2024
November 19, 2024

BSE Limited Corporate Relationship Department, 1st Floor, New Trading Ring, Rotunda Building, P.J. Towers, Dalal Street, Mumbai - 400 001. Scrip Code: 500350	National Stock Exchange of India Limited Listing Department, Exchange Plaza, C-1, Block - G, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051. Scrip Code: RSWM
CIN: L17115RJ1960PLC008216	

Subject: Transcript of Earnings Conference Call held on Wednesday, 13th November 2024.

Dear Sirs,

Please refer to our Earnings Conference Call scheduled for Wednesday, 13th November 2024 at 03:30 PM (IST), as intimated vide our letter dated 05/11/2024.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Q2 & H1 FY25 Earnings Conference Call transcript. The transcript is also available on the company's website.

You are requested to take the same on record.

Thanking you,

Yours faithfully,

For RSWM LIMITED

SURENDER GUPTA
VP – LEGAL & COMPANY SECRETARY
FCS-2615

rswm.investor@lnjbhilwara.com

(Formerly Rajasthan Spinning & Weaving Mills Limited)

Corporate Office: Bhilwara Towers, A-12, Sector-1 Noida • 201 301 (NCR-Delhi), India Tel: +91-120-4390300 (EPABX) Fax: +91-120-4277841 Website: www.rswm.in GSTIN: 09AAACR9700M1Z1	Registered. Office: Kharigram, Post Office Gulabpura • 311 021 Dist. Bhilwara, (Rajasthan), India Tel: +91-1483-223144 to 223150, 223478 Fax: +91-1483-223361,223479 Website: www.lnjbhilwara.com GSTIN: 08AAACR9700M1Z3
--	--



RSWM Limited
Q2 & H1 FY25 Earnings Conference Call Transcript
Wednesday, 13th November 2024

MANAGEMENT:

- ◆ **Mr. Nitin Tulyani, President & CFO**
 - ◆ **Mr. Rakesh Jain, General Manager - Corporate Finance**
 - ◆ **Mr. Surender Gupta, VP - Legal and Company Secretary**
-

Moderator:

Ladies and gentlemen, good day and welcome to the RSWM Limited Q2 & H1 FY25 Earnings Conference Call. We have with us today from the management, Mr. Nitin Tulyani, President and CFO, Mr. Rakesh Jain, General Manager - Corporate Finance, and Mr. Surender Gupta, VP - Legal and Company Secretary.

As a reminder, all participant lines will be in the listen-only mode and there will be no 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 touch-tone phone. Before we proceed with this call, I would like to take this opportunity to remind everyone about the disclaimer related to this conference call. Today's discussion may be forward-looking in nature based on management's current beliefs and expectations. It must be viewed in conjunction with the risks that our business faces that could cause our future results, performance, or achievements to differ significantly from what may be expressed or implied by such forward-looking statements.

I now hand the conference over to Mr. Nitin Tulyani for opening remarks. Thank you and over to you Sir.

Nitin Tulyani:

Thank you for the introduction. Good evening, everyone. Thank you for joining us for the RSWM Limited Q2 and H1 FY25 earnings call. I am Nitin Tulyani, newly appointed President, and CFO of RSWM Limited and I am pleased to walk you through our financial performance for the period. Trust, that you have reviewed the investor presentation and press release we shared yesterday which are available on stock exchanges and our website. I will begin with highlighting some of the key financial highlights for the quarter and the first half of FY25 followed by our strategic imperative to navigate the current market landscape and build a stronger foundation for sustained growth. We are pleased to report the company's positive operational and financial performance for this quarter with solid revenue growth and improvements in operational efficiency despite ongoing industry challenges.

For Q2 FY25, RSWM achieved revenue growth of 15.7% year over year reaching ₹1,166 crores. This growth reflects our commitment to continue to optimize the product mix and expand the fabric division which posted an impressive 22% increase year over year. Strong demand in both domestic and international markets for our high-quality fabric has supported the momentum. Gross profit grew by 17.8% thereby contributing ₹65 crores to margins. Our EBITDA rose by 41.7% YoY achieving a margin of 3.6% totally driven by effective cost-saving measures and operational efficiency. However, our PAT is showing a loss of ₹21 crores primarily due to the higher depreciation and finance costs. We are taking an effective measure to reduce the financial costs. We are working on the liquidation of the stock and the realization of the debtors that have been increased.

For H1 FY25, we saw revenue increase by 24.4% year over year reaching ₹2,374 crores as of 30th September 2024. This growth was supported by our favourable product mix, although we continue to address the pricing pressures in the yarn division. EBITDA for H1 FY25 rose by 75.3% YoY achieving a margin of 4%. However, PAT reported a loss of ₹35 crores compared to the previous years. Higher finance costs in Q2 FY25 compared to Q2 FY24 have led to a ₹17 crores impact on our Profit before tax.

Additional investments in the 50,000 spindles in the Banswara Lodha project launched in October'23 and challenges related to the integrations of an acquired unit while we continue to strengthen our operations and expand our product reach. These results will reflect both the opportunities and the challenges associated with our growth strategy. We are confident in our team's capability to navigate these challenges and position RSWM for solid progress in the quarters ahead.

So, this was about financial highlights and now coming to the strategic imperatives for sustainable growth. To drive growth and diversify revenue, RSWM is exploring new markets with strong demand reducing reliance on specific regions. This expansion not only widens our global presence but also reinforces our position as a reliable supplier, ready to meet diverse customer's needs worldwide. RSWM is also scaling its operation to achieve greater economies of scale helping in the strategic imperative to enhance production capabilities alongside efficient supply chains fortified this approach and keep RSWM competitive while delivering increased value to the client.

In response to changing market demand, we are expanding our product range with new offerings in sustainability products. At RSWM, we continue to keep focus on ESG and accelerate renewable energy adoption by investing in on-site power generation and utilizing government incentives, focusing on marketing, and increasing brand visibility. We started with the latest campaign “For all reasons, for all seasons” which reflects RSWM's commitment to being a trusted partner for our customers year-round.

RSWM is working on embracing industry 4.0 technology to enhance operational efficiency. AI-driven forecasting will be integral in commodity procurement, such as cotton that will support us in inaccurately anticipating the right raw material pricing trends and refining our purchasing strategies for optimum financial management. This proactive approach enables us to adapt to the market change with resilience. Machine learning and agile supply chain tools will elevate flexibility across the organization. With artificial intelligence, we are focusing on enhancing demand planning strategies, supply planning and forecasting techniques with a focus on better inventory management.

Thank you all for joining us today. We have covered a lot of ground from our financial performance to strategic imperative. We want to recreate our commitment to driving growth and delivering value to our shareholders. We are excited about the opportunities ahead and confident in our abilities to navigate challenges. Thank you once again for our trust and confidence in our company as our valued shareholders. We appreciate your ongoing support and we will look forward to our next meeting.

Shall be happy to take up specific questions you may have. Thank you.

- Moderator:** The first question is from the line of Tanush Mehta from JM Financial. Please go ahead.
- Tanush Mehta:** Hello. Thank you for the opportunity, Sir. If you can highlight, how are we planning to reduce the inventory?
- Nitin Tulyani:** Ok. So, on the inventory plan, our business team is working consistently on exploring the avenues where we are selling the inventory at a competitive price. Our team is working on it and you will see the improvement in the upcoming quarter number.
- Tanush Mehta:** Ok. And any plans for the CapEx in the future?
- Nitin Tulyani:** So, given the current environment, we are approaching future capital expenditures very cautiously, so have to revisit our expansion plan once there is a shift in the demand outlook. So, we are not exploring any CapEx other than the routine maintenance CapEx.
- Tanush Mehta:** Ok. Understood and Sir, uh, how do you see the sector in second-half? Is there any demand revival or green shoots we can, see?
- Nitin Tulyani:** With so many geopolitical crisis going on, the future is unpredictable. But still, the situation are improving day by day. We have seen the cotton prices getting stable now, so since this is forward-looking, we should not be able to comment accurately.
- Tanush Mehta:** Ok, Thank you, Sir. That is from my side.
- Moderator:** The next question is on the line of Madhu Sharma from SK Capital. Please go ahead.
- Madhu Sharma:** Good afternoon, Sir, and thank you for the opportunity. My first question is what were the main drivers for the 15.4% increase in total income on a YoY basis?
- Nitin Tulyani:** Ok, so when we are talking about the revenue increase, it has primarily increased because of the new unit which went live last year, that is the Kapaas unit at our Lodha location plus the new acquisition we did at Chhata that has also added the increase in the revenue.
- Madhu Sharma:** Oh, Ok Sir. And Sir, the next one is what area would you recommend the company focus on improving to achieve greater profitability?

- Nitin Tulyani:** So, like I mentioned in the opening remarks, also we are working on industry 4.0 technologies. So, I myself leading that project on artificial intelligence and bringing in digital transformation through which we will be able to bring in cost optimization and will improve the demand planning as well as the supply chain process.
- Madhu Sharma:** Ok, Yes Sir, thank you.
- Moderator:** The next question is on the line of Tanush Mehta from JM Financial. Please go ahead.
- Tanush Mehta:** So, Sir, I want to ask that if you said that AI is being used, if you can elaborate on that.
- Nitin Tulyani:** Ok. So, on the artificial intelligence, I would like to elaborate, let's say cotton is the primary raw material for the yarn industry and we are implementing a cotton forecasting tool that will help us to be more accurate in terms of, at what level and at what price and what quantity of cotton needs to be purchased so the tool is yet under evaluation phase and we will be sharing an update later on the same. Through this, we intend to bring in cost optimization with respect to the procurement of raw materials.
- Tanush Mehta:** Ok, so this will also affect the EBITDA margins in the bottom line also.
- Nitin Tulyani:** Yes definitely, because our margins are going to improve.
- Tanush Mehta:** Yeah. Thank you. Thank you for the explanation.
- Moderator:** Thank you. The next question is from the line of Rahul from F&O Tatva. Please go ahead.
- Rahul:** Good afternoon, Sir. Thanks for the opportunity. I would like to know about your Polyester yarn division. I think for the last two years is not performing as per the expectations is it, is there any reason behind it?
- Nitin Tulyani:** So, if we talk about the grey and the dyed yarn, we have a little bit of challenges with respect to the price realization and in order to overcome this, the recent management restructuring has happened. We have appointed a dedicated Chief Technical Officer who is working dedicatedly on technological upgradation to improve the quality as well as productivity across all the yarn units. He has been given the target to improve efficiency in the Yarn business, so we are working on it.
- Rahul:** Ok Sir and Sir, is the polyester yarn division getting infected by the overall market scenario or due to some internal..
- Nitin Tulyani:** No, it is primarily because of the geopolitical crisis.
- Rahul:** It has been more than two years, I think from the last two years, it is not performing as per the expectations.
- Nitin Tulyani:** We are running on improving the productivity and the quality part also, so you will see the improvement.
- Rahul:** Ok, Sir. Thank you, Sir.
- Moderator:** Thank you. The next question is on the line of Saket Kapoor from Kapoor Co. Please go ahead.
- Saket Kapoor:** Thank you for the opportunity, Sir. When we look at our employee cost line item, we have seen an increase to ₹137 crores for this quarter and that was the number for the sequential quarter also June quarter, so what has led to this increase?
- Nitin Tulyani:** You're talking about the increase in the employee benefit expenses?
- Saket Kapoor:** Yes.
- Nitin Tulyani:** Ok. And what number you are looking at last year versus the current?

- Saket Kapoor:** Sir, I am looking at the last quarter's number was also ₹138 crores, this quarter also ₹138 crores whereas last year it was ₹118 crores. So, what has led to currently this is a 15-18% increase. The markets have not improved, have we increased our staff strength or what has led to this increase, because as a percentage of sales, that is more than 11-12% today with depressed margins or with lower margins?
- Nitin Tulyani:** Ok. So, the one increase is because of the addition of manpower to run the two newly acquired units. One is the Kapaas unit as I mentioned earlier and another is the Chhata unit. So, the manpower is primarily increased because of that only.
- Saket Kapoor:** What has been the contribution from the newly acquired asset from Ginni filament, I think which you just referred to as the Chhata unit? How has that contributed? What are the utilization levels?
- Nitin Tulyani:** We are tracking it as a part of our yarn business. So as a part of our strategy, it is being clubbed into yarn business only.
- Saket Kapoor:** Correct, Sir. But only to understand how have things gelled with our existing units, how is the new unit performing?
- Nitin Tulyani:** So, we are working on bringing in the synergies across the spinning unit. In the Knits unit, we have been able to bring in the synergies. We are working on the spinning unit but primarily we are focusing on cost optimization via raw material engineering.
- Saket Kapoor:** So, what we remember earlier was we were informed that we needed to change some machines also and some capital investment was needed to bring the efficiency which you are just speaking about. So, what kind of CapEx is in the pipeline or we have done after?
- Nitin Tulyani:** It is in the pipeline and we are working on it.
- Saket Kapoor:** How much are we going to spend Sir?
- Nitin Tulyani:** That is still under management discussion.
- Saket Kapoor:** Ok. And Sir, what are our net debt numbers, our long-term debt, and the working capital requirement?
- Nitin Tulyani:** I believe we have shared that in the presentation.
- Saket Kapoor:** Right, Sir. Can you just spell it out, Sir, for the benefit?
- Nitin Tulyani:** You're looking for the overall debt total debt.
- Saket Kapoor:** Yes, yes, total debt number and the split up between long-term and short-term. I see the long-term borrowing at a consol level at ₹683 crores and our short-term borrowing at ₹1,000 crores at a consol number.
- Nitin Tulyani:** Ok. Rakesh, would you be able to answer this question, about the split between the long-term and the short-term debt?
- Rakesh Jain:** Yes, Sir. As of 30th September 2024, the long-term debt is at ₹596 crores and the short-term debt is ₹1,025 crores.
- Saket Kapoor:** Right, Sir. What is the cost of funds? What is the currently blended cost of funds, and what are our current maturities?
- Rakesh Jain:** Our current maturities are around ₹157 crores for the next 12 months, from 1 October 2024 to 30 September 2025.
- Saket Kapoor:** Ok, Sir. And the cost of funds?
- Rakesh Jain:** Are you asking the cost of funds in percentage?

- Saket Kapoor:** Yes, in percentage. What will be the blended cost of funds after getting the rebate if adjusted or if you can mention the long-term and short-term separately about the working capital is also ok. And next question is about the current utilization levels for our yarn business and how is the fabric division performance going to be for H2 FY25. If you could throw some more light?
- Rakesh Jain:** Benefit, considering the benefit of incentives and expansions, the interest rate on long-term debt is 5.75% and on short-term, there is no such incentive and the overall rate is 8.60%.
- Saket Kapoor:** Correct. And so now on the fabric division performance, QoQ, we have seen improvement. So, what factors first led to it? What are our utilization levels for the fabric division?
- Nitin Tulyani:** OK, so the fabric division primarily includes our denim business and we have been able to reform this business now and it is expected to deliver profit in Q3 FY25 as well as Q4 FY25. It has given profit in Q2 FY25 also and in Q3 FY25 and Q4 FY25 also the profitability is going to improve.
- Saket Kapoor:** So, did the denim market improvement that has led to the same, if you could give some colour on how the prices have been, what has led to this improvement?
- Nitin Tulyani:** So, it is primarily that we are getting more orders and we are fulfilling those orders with the quality standards and we are adding more and more brands to our portfolio. So, we are getting orders from more brands which is going to add to the more profitability.
- Saket Kapoor:** Post our September quarter exit, can you give some colour on how the business environment is shaping up for the current quarter in terms of the demand and the price trends for yarn prices if some colour is on the same?
- Nitin Tulyani:** See, the price realization is still the challenge we are expecting the Bangladesh market to improve upon and then hopefully there are chances of business being revived.
- Saket Kapoor:** And the utilization levels that I missed your point, what are our current utilization levels for our yarn and the fabric business?
- Nitin Tulyani:** When you are saying utilization, you are talking about efficiency utilization or you are talking about working capital?
- Saket Kapoor:** Yes, Sir, I am talking about capacity. What else utilizations you can provide, Sir?
- Nitin Tulyani:** You're talking about the existing capacity level.
- Saket Kapoor:** Yes Sir.
- Nitin Tulyani:** I would like to pass on this question and our investor relations team will be in touch with you for this answer.
- Saket Kapoor:** For the capacity utilization levels?
- Nitin Tulyani:** So, we are working at full capacity, we have not shut down any spindles. This is what I am saying. We have 6,30,000 spindles for the yarn business and they are running at the full capacity.
- Saket Kapoor:** Correct.
- Moderator:** Thank you, Sir. The next question is from the line of Rohit Ohri from Progressive Shares PMS. Please go ahead.
- Rohit Ohri:** Hi Sir, I am new to the company so there are a couple of questions which I have. The first one is that you did touch up a little bit on the total debt. So, my question is what efforts are made to reduce the same and if we see that we are running at somewhere around ₹35 - ₹36 crores kind of a run rate? How do you intend to optimize the same and reduce the same so that the profitability of the company at the bottom-line increases?

- Nitin Tulyani:** Ok, so what we are doing is we are working on the off-balance sheet financing, primarily the vendor supply chain financing as well as the TReDS financing, which has been approved by RBI. So, we are planning to shift some of our vendors to off-balance sheet debt financing so that our borrowings will be shown as reduced and our working capital stress will be reduced a little bit.
- Rohit Ohri:** Sir, when we say that you are trying to improve your margins, maybe on the EBITDA margin front. So, what are these factors that you are slightly confident about that you say that the margins will improve going forward?
- Nitin Tulyani:** Ok. Like I talked about optimization of the cost and second what we are doing is we are focusing on reducing the finished goods stock level. So that it will have a direct impact on our finance cost.
- Rohit Ohri:** So there any guidance on the margins profile you would like to share as a range if you would like to share maybe 5% to 6% is your ambitious target to achieve that EBITDA margin level?
- Nitin Tulyani:** As of now, it is very difficult to comment, but we are working on the strategy to turn around the EBITDA.
- Rohit Ohri:** Not an issue, Sir. Sir, so we grew at somewhere around 15%-16% this quarter around if we do a YoY. Sir, is it possible that going forward we will be able to sustain this growth rate?
- Nitin Tulyani:** Yes, definitely. We have a plan.
- Rohit Ohri:** Ok.
- Nitin Tulyani:** As I mentioned we are getting export orders and we are also adding new customers as well as new products in our portfolio.
- Rohit Ohri:** Since you mentioned the export order that brings the Tiruppur association into the picture. So how are they faring and any issues or any positive triggers that you are seeing from the Tiruppur association and the others?
- Nitin Tulyani:** Not as such.
- Rohit Ohri:** Ok. So, we were looking at this growth avenue which is related to Jammu and we have this land and you were looking at some ₹740 crore kind of an investment. Is there any information that you would like to share on the same?
- Nitin Tulyani:** So that project is still under discussion and we are working on it.
- Rohit Ohri:** Sir, any thoughts, or any rough work that you have done on how will you fund this investment? Are you looking at rights issues or some sort of placement or some QIP or something like that?
- Nitin Tulyani:** So, nothing has touched now. So, we are working on a profitable financial model.
- Rohit Ohri:** Ok, so by when do you think maybe in next quarter or maybe 2-3 quarters how much time will you take to kind of plan it out?
- Nitin Tulyani:** So, we will do it after 31st March 2025 only, not before that considering the current quarter, we would like to do it in the upcoming financial year.
- Rohit Ohri:** OK, Sir. So, my last question is when you speak about industry 4.0 as well as AI-related processes. Sir, what sort of employee account are you looking at? Are you looking at reducing these employees maybe the ones who are permanent or the ones who are on a daily wage basis?
- Nitin Tulyani:** We are focusing on increasing the bandwidth of the employees to handle a particular task by bringing in the technology like I mentioned earlier, one area is cotton forecasting and cotton trading where artificial intelligence is going to be very fruitful because it has a direct impact on the cost of raw material procurement.

- Rohit Ohri:** So, these employees that we had somewhere around 18,600 for the entire consolidated business, do you think that the headcount would reduce going forward so probably we will get some more profitability?
- Nitin Tulyani:** No, there is no plan to reduce the headcount.
- Rohit Ohri:** OK. Sir, one last question, I know you do not have a crystal ball with you, but do you anticipate that the current financial year for us will end in black or do you think that there will be some redness in the bottom line?
- Nitin Tulyani:** There will be improvement in the bottom line. Let us wait for two more months to market for performance.
- Rohit Ohri:** OK, because last year we had some exceptional items that saved the bottom line to a greater extent. So, we are just trying to gauge if we have some exceptional item or something that can probably bring the bottom line in black colour.
- Nitin Tulyani:** As of now, there is no.
- Rohit Ohri:** Ok, Sir. Thank you. Thanks a lot for answering. My question, thanks a lot.
- Moderator:** Thank you. Ladies and gentlemen, on behalf of RSWM Limited, we would like to formally conclude this Q2 & H1 FY25 earnings conference call. We sincerely appreciate your participation in this event and we kindly request that you may now disconnect your lines. Thank you for your time and engagement.

For further queries: Email: cfo.rswm@lnjbhilwara.com
rswm.investor@lnjbhilwara.com

Registered Office: Kharigram, P.B No.28, P.O Gulabpura- 311 021, Distt. Bhilwara Rajasthan Website: <https://www.rswm.in>

CIN: L17115RJ1960PLC008216
