

Date: January 22, 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.
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Scrip Code: 544314

Trading Symbol: SANATHAN

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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 Friday, January 17, 2025 at 1630 hours IST regarding the unaudited standalone and consolidated financial results of the Company for the quarter and half year ended September 30, 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



Jude Patrick Dsouza

Good evening, ladies and gentlemen. It is my privilege to welcome you to this earnings call of Sanathan Textiles Limited for the Q2 of FY 24-25. I am Jude Dsouza, the Company Secretary and Compliance officer entrusted 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 participants asking questions will only be requested to have his or her audio unmuted. Post the management commentary, the Company will open for a Q and A session. Interested participants may click on raise hand icon at the center bottom of the pane on Webex application to join the Q and A. The participants 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 participants 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 expectation, assumption and beliefs regarding future developments and are inheritantly subject to various risks, 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 esteem members of our management team who are present with us today. We have Mr. Paresh Dattani, the Chairman and the Managing Director. We have Mr. Sammir Dattani, the 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 esteem participants.

Paresh Dattani

Good evening, everyone, and thank you for joining us today. It's my pleasure to welcome all our stakeholders, analysts, and investors to our maiden conference call. Today we will walk you through the remarkable journey of Sanathan textiles Limited, provide an overview of our business and share insights into the visions of our future. The Company was incorporated in 2005 marking the beginning of our journey in the textile industry. We took over the business of manufacturing from Sanathan Texturisers with a vision to become a leading player in the textile industry. Today we stand among the few companies in India with the presence across the polyester, Cotton and technical textile segments, enabling us to serve a diverse range of industries and customer needs. Through our state-of-the-art fully integrated yarn manufacturing facility in Silvassa having a total installed manufacturing capacity of 223,750 MTPA. We manufacture a huge variety of beyond products catering through a broad spectrum of applications.

The expertise of our promoters who bring over three decades of experience in the industry has been instrumental in driving our strategic vision and operational excellence. From humble beginnings, we have achieved significant milestones, starting with the capacity of a 1,500 metric tons of cotton and about 13,500 metric tons of polyester filaments yarns. We have grown exponentially reaching 14,000 tons of Cotton yarns and about 2,00,000 metric tons of polyester filaments yarns by 2024. In parallel, we expanded our product portfolio with value added products catering to industrial and technical textiles, scaling capacity from 5400 tons to 9000 metric tons per annum. Our success is further reflected in the long standing relationships. We are built with some of India's top consumer brands as Welspun India, Page Industries, D'Décor Home Fabrics, Wildcraft India, and SRF Limited etc. Supported by an extensive network of over 20,000 customers and 900 distributors spanning India and 26 export destinations, we have earned the prestigious designation of a Three Star Export House. Sustainability is at the heart of our operations. We are committed to eco-friendly practices, efficient resource utilization and waste reduction, ensuring alignment with global environmental standards. Through continuous investment in research and development, we innovate to deliver yarns that meet customer needs with unique colours, properties and characteristics. As we look forward, we are poised for an exciting future.

We are today in the advanced stages of commissioning our new Polyester Filament yarn manufacturing facility in Wazirabad, Punjab, under our wholly owned subsidiary Sanathan Polycot Private Limited. This facility is set to increase our total manufacturing capacity from 550 tons a day to 1500 tons per day. The construction for the set project commenced in 2023 and the 1st phase is expected to be operational in the Q1 2025-2026. At our Silvassa facility, we have recently commenced cotton yarn operations at unit 3 with an installed capacity of 540 metric tons per annum. By FY. 26, we plan to begin operations at unit 4, which will further add an additional 10,900 metric tons per annum.

Thank you very much, and I now ask Sammir to run you through the business and operations of the Company. Thank you.

Sammir Dattani

Thank you and good evening to everyone. Thank you for being here. I will 1st go through the business and industry overview and then talk about the current business at Sanathan textiles. India's textile industry is one of the largest in the world contributing to 2.3 % of the country's GDP and about 12 % to our exports. India is 2nd largest producer of textiles, and the sectors projected to grow at a 10 % CAGR over the next decade. All this is being aided by government incentives such as the PLI scheme, which focuses on boosting manmade fibers and technical textiles. Additionally, we have the PM MITRA Parks scheme, which is providing investment in infrastructure for mega textile hubs for global competitiveness. India's textile market is experiencing strong demand growth driven by domestic consumption, exports and global situations. The global apparel market is set to grow at a CAGR of 8 % while India's textile market is projected to grow at a CAGR of 8.8 % in the coming years. The technical textile segment is a key growth driver in the coming years expected to expand rapidly, supported by rising awareness, higher disposable incomes, new end user applications for textiles. Additionally, all this will require new and additional manmade fibres and yarns along with of course cotton Yarns and blended

yarns. The government has a keen focus on exports of textiles, modernization of facilities, sustainability in terms of operations and making sure that India becomes a key global hub for textile in the coming years.

Talking about Sanathan, our business at Sanathan Textiles is divided into three separate yarn business verticals consisting of:

- a. Polyester filament yarns,
- b. Cotton Yarns and
- c. Yarns for technical textile and industrial applications.

Our Polyester yarn manufacturing capacity is about 2,00,000 tonnes per annum. We have a fully integrated polyester division where we process petrochemicals as our input to produce a large diverse range of polyester filament yarns. Our polymerization setup featuring three lusters enables flexibility to meet diverse customer and different industry and segment requirements. We focus and specialize in Born-Coloured Dyed Yarns, Functional Yarns, Performance yarns, made to order customized yarns and other Value-added yarns products. This polyester division offers a wide range of products across different polyester filament yarns such as POY, Partially oriented yarn, FDY fully drawn yarn, DTY, Draw Textured Yarn, Air Textured Yarn, and Twisted Yarn.

Our range of cotton yarns are used for making of apparels, suiting, shirting, bed sheets home textile and other end user application. We have a strong focus on fine count compact yarns and we ensure superior quality and performance. By sourcing premium raw cotton from India, we meticulously spin our yarn to perfection. Our division for Yarn for technical textiles is a specialized segment with diverse and interesting applications ranging from construction, agriculture, sportswear, safety, and other applications.

The growing adoption of technical textiles is rapidly increasing in India and these kind of technical textile yarns and products made from these yarns are being used in health and safety industries, are you being used to make construction cost effective, used for its durable properties and lightweight properties.

A little bit about our manufacturing facility, our current facility is a fully integrated yarn facility in Silvassa, strategically located. It has an installed capacity of 2,23,000 tons across all three Yarn verticals. Our new capacity is expected to commission in Punjab as mentioned by Mr. Paresh Dattani, in the in the coming financial year, where we'll be more than doubling our polyester yarn manufacturing capacity. While we manufacture products across all three segments, polyester remains our primary focus and the key contributor to our revenue. Now I would like to hand over the call to Mr. Sanjay Shah, our CFO, who will take you over the financial performance of the Company.

Sanjay Anirudh Shah

Thank you, for the quarter ended September 30, 2024, our revenue from operations stood at rupees Rs. 742.17 crores as against Rs. 745.61 crores in Q2 FY. 24. On account of marginal declines in sales volume by 1.92%.

EBITDA for the quarter is Rs. 58.22 crores as against Rs. 51.84 crores in Q2 FY 24 on account of relatively better gross margins. PAT stood at Rs. 32.56 crores against PAT of 30.24 crores in Q2 FY 24. For the half year ended September 30, 2024 our revenues from operation stood at Rs. 1,523.30 crores as against Rs. 1420.96 crores in H1 FY24, led by a higher sales volume of 6.77 %. EBITDA for H1 FY. 25 stood Rs. 136.70 crores as against Rs. 84.67 crores in H1 FY 24 on account of higher volumes, better margins as well as lower operating expenses. H1 FY 25 PAT stood at Rs. 82.63 crores as against PAT of Rs. 47.34 crores in H1 FY 24.

Thank you all. We can now take questions.

Jude Patrick Dsouza

Thank you for the management commentary. The 1st question is from Mr. Harsh Mittal from ICICI Securities.

Harsh Mittal

Good evening, sir. Thank you for this opportunity. I have few questions. The 1st question is, how the realization is panned out in Q2 versus Q1 FY. 25 on the POY realization levels?

Paresh Dattani

Good evening Harsh, I would give you the overall number on Q2 FY 25 compared to Q1 FY 25.

Sanjay will give you the numbers and then I will discuss that with you.

Sanjay Shah

Yeah. See the polyester realization was slightly down in the current quarter as compared to the previous quarter. It got reduced by approximately one odd rupee.

Harsh Mittal

Okay, so do we see any further dip in the realization in the quarter three which just recently ended?

Paresh Dattani

No, see quarter two, our revenue was more or less similar, but the EBITDA numbers were slightly lower because of volatility in the raw material pricing. But having said that we need to focus on an annualized basis because as you must have seen in the past also that quarter to quarter we do have drops off up to 1% or 2% on margins, but we must look at it on an annualized basis, and this year FY. 25, we aim to end the year at a top line of about 3000 to 3100 crores with an EBITDA margin of about 9 %.

Harsh Mittal

Sure sir, sure. My second question is sir, what is the cumulative Capex which we have done for the Wazirabad, Chandigarh plant till date?

Paresh Dattani

As on 31 December, we have done a Capex of Rs. 1,450 crores already and out of that we have drawn about close to a Rs. 1000 crores from our debt and balances from our contribution on that.

Harsh Mittal

Okay, so my final question is that the staff, the employee expenses have increased by 9 % sequentially in Q2? So is it safe to assume the same run rate for the Silvassa unit going ahead? That is 26 crores?

Sanjay Shah

Yes

Harsh Mittal

Okay, thank you. Thank you. These were my questions. Thank you.

Jude Patrick Dsouza

Thank you, the next line of question is from Miss. Garvita Jain from Seven Islands PMS.

Garvita Jain

Hello, Hi sir, so I have a few questions. First of all sir, if you could please give me some guidance on by when we can by exactly which quarter, we can expect the commissioning of or the operations of the Panjab plant which we have?

Paresh Dattani

We aim at the moment as we stand now and we aim to commission this in the Q1 of the FY. 2026 and we will start somewhere sometime end April beginning May and we will be fully stabilized by the end of the quarter.

Garvita Jain

Okay, and so at what capacity we like we will be starting it with, what would be the capacity utilization we are expecting with the beginning of the operations?

Paresh Dattani

Yeah, we have our entire capacity is mapped to about 900 tons at the peak levels. We are doing that in two phases. In the 1st phase, we are doing about 700 tonnes per day and 2nd phase will be adding another 250 tons a day. So this, we are at the moment talking about the 1st phase of operations. Out of the 700 tons, we will be starting with the capacity of about 400 tons odd tons initially, and by the end of the quarter we would have ramped up to the entire 700 tons per day.

Garvita Jain

Okay answer also if you could give me some guidance on the prices of the raw material and the prices of the actual product synthetic yarn and the cotton yarn also. I just need guidance on the price.

Paresh Dattani

See as we stand now currently, let me tell you segment wise cotton yarns. Our cotton today we were, what we are buying is close to about ₹54000 of candy, which is about 355 kg. So we including our deduction from the waste etc. we get a clean cotton of about Rs. 178/- to Rs. 180/-We have an average realization about 320 odd rupees.

Garvita Jain

320 is the average realisation.

Paresh Dattani

Our average count rate is about 57. On the filament side, our raw material cost today, the entire PTA/MEG with the additives comes to about Rs. 73 and some paisa and we are doing an average run rate of about ₹39 value additional, that's about Rs. 112 and 113.

Garvita Jain

That is for the PTA, right?

Paresh Dattani

Yes, the PTA MEG cost is about ₹73.50.

Garvita Jain

Okay. Okay, sir. And sir also if you could give me the guidance on the actual current market prices for cotton yarn and synthetic yarns?

Paresh Dattani

Yeah, so the current market price of cotton yarn on our account range averagely what we produce 57 count, we are doing about Rs. 320 rupees and on the filament yarn side, we are doing an average about Rs. 113.

Garvita Jain

So since like currently synthetic yarn is cost lower than the cotton yarn. So I wanted to understand the price parity between the two. So by what price of synthetic yarn can we expect people to switch from in synthetic to cotton yarn? I like am I clear? Can you make some sense out of this?

Paresh Dattani

I, to be very honest with you, I mean it there is a lot of variations that would go on to that, but on a thumb rule basis a 150 denier on a filament would come equal to about 30 on the cotton side.

So the 30 prices today in the range of about Rs. 250 - 60, whereas the filament Yarns say about Rs. 110 -112, Rs. 105-110. That's the differential. Having said that, I would just like to point out my experience on this that though we talk about a fiber shift, it, it really doesn't move more than 5 % across the board. I have never seen that happen.

Garvita Jain

Okay, so more at max we can expect 5% movement, right?

Paresh Dattani

That's right.

Garvita Jain

Okay, ok. And sir, could you tell me, do we have excess capacity of synthetic yarn manufacturers in India at the moment or what's the case?

Paresh Dattani

As, as we stand now, the industry is operating at an operating rate of about 83%-84%, which is in actual sense almost peak operating rates because, when we talk about the 100% we are talking about you know set up facilities, some of them are defunct today, not in a position to operate. So when we operate at about 83%-84%, we are relatively close to a 100% operations.

Garvita Jain

Okay. Okay, got it. And sir, if I talk about in terms of manufacturing of the two type of yarns, which one is more cost effective?

Paresh Dattani

Can I please ask you what you mean by cost effective?

Garvita Jain

I'm asking so that out of the cotton yarn and synthetic yarn, the manufacturing process of which of the two is more cost effective as in which one has more margin contribution?

Paresh Dattani

I would, you know, like to answer you this sort of thing because we have been doing this for a lot many years and across years we have seen the purpose of Sanathan getting into three verticals is just to mitigate this because there have been times when Cotton has paid better, there have been times when Filament yarn has paid better, but just to average that out, we have ventured into the

three segments but having said that, I would just like to point out that old years we have seen, if you look at average three to five years, our experience says that Cotton yarn has given us EBITDA close to about 19% to 20 % and Filament yarn has given us between 9% to 10 %, but Cotton yarn has an asset turn of 1 and the Filament yarn has an asset turn about 2.1 to 2.2.

Garvita Jain

Okay, ok, got it. I have one more question, sir, I wanted to understand this thing that when I was going through the prospectus which you have submitted, it says that most of the raw material which we sourced from they are located on the western region of the country. But we are setting up our plant in in Punjab location, so will that involve additional cost for the acquisition of the raw material or the transportation cost?

Paresh Dattani

You're very right. Most of our raw material of PTA, MEG is all located on the western side of the country, but to give you a different perspective to this, we as a country today are producing almost 4.2 million tons of filament yarn which is all also produced on the western part of the country, and about 1 billion is consumed in the northern markets. There are five principal markets up in the north, which is Ludhiana, Amritsar, Panipat, Delhi and NCR.

So almost 1 billion tons out of this 4.2 billion tons is consumed in the north, and there is no supplier there everything goes from the western side of the country to the north and barring this as far as our raw material is concerned, we have a source in the north at Panipat where PTA, MEG is available from one of the manufacturer. So we will source our raw material from the Panipat refinery and we will be selling our finished goods also in the north, in the same ecosystem. This entire system is within a radius of a 150 km.

Garvita Jain

150 km, so like the production which we will be doing from that unit will serve the market in north only?

Paresh Dattani

Yes, because there will be no movement to any other market. The simple reason that what we are setting up there is hardly 25% to 30 % of the market which is already consuming there. I'm not factoring any growth in that. We are just setting up 25 % of what is already consumed there.

Garvita Jain

Okay, ok and so could you give me guidance on what is the expected sales growth we are we can expect in the coming year, for us?

Paresh Dattani

Yes, for FY 26, we aim to achieve a top line of between 5,200 to 5,500 because of the new plant, we will not get a full impact of that because it'll take us one quarter to ramp up everything. So we will get about the top company top line will be between 5,200 to 5,500 crores.

Garvita Jain

Okay. And with the EBITDA margin of?

Paresh Dattani

We are aiming to achieve in a better margin of between 10% to 11 %.

Garvita Jain

10% to 11 %. Okay. One last question sir, if there are any price fluctuation in the raw material cost, do we, are we able to manage to pass on the pricing pressure to the customers or to the final product users?

Paresh Dattani

Yes, we always aim to pass on either way if it goes up or down to pass it on to the customer, of course, there are times where there are certain lag times are there maybe you know you might have a lag of 15 days to a month between the passing on either way.

Garvita Jain

Okay, 15 to 20 days lack. Yeah. And so are we going to maintain the inventory as high as they are currently?

Paresh Dattani

No, See inventory of the raw materials currently may look a little bit high. It is not, it is as per the industry norms and standards. But having said that we are also today importing about 50 % of our raw material.

Which the transit time is about 30 to 35 days. So the inventory level looks higher, but going forward, we are in the country having two PTA plans being commissioned in the calendar year 25. One is the plant at Bangalore, one is the plant at Paradeep. With these two plants, each with the capacity of 1.2 million tons, we will be adding about 2.4 million tons of PTA in the country. Today

as we stand, we import as a country about 1.6 to 1.7 million tons. So we will be Excess in PTA, and for us as far as the Punjab facility goes, we are not going to maintain any extra raw material because our raw material will be coming from a local source.

Garvita Jain

Okay.

Jude Patrick Dsouza

Thank you, sir, for that, so the next question is from Mr. Ashutosh Nemani from JM Financial.

Ashutosh Nemani

Yeah, yeah, good evening. Thanks for the opportunity, sir. So, so my 1st question was regarding the Capex, so Polyester plant you'd mentioned 1,450 crores Capex we are already done, right?

Paresh Dattani

That's right.

Ashutosh Nemani

What would be the potential like Capex, the entire Capex that we will be requiring for the polyester plant?

Paresh Dattani

Yeah, we have planned the project. We aim to complete this in about 1,800 crores for the entire Capex on the 1st phase. Now in the year you, I would also like to inform you one thing that we are setting up the, we have got the land, the infrastructure, the building, the power, the polymerization, the automation, the warehousing, everything for the big capacity of 950 tons. But we are at the 1st level setting up 700 tonnes, and we will be adding in 2nd phase 250 tonnes where the asset term will be very high because everything else is already set up.

Ashutosh Nemani

Yeah, understood. So this 1800 crores considered both phase 1 and Phase 2?

Paresh Dattani

No, that is only phase one. Phase two we will have to add another 250 crores.

Ashutosh Nemani

Okay, understood and what would be the Capex for the cotton yarn expansion plan?

Paresh Dattani

The cotton expansion will be about close to 400 crores.

Ashutosh Nemani

Across both the units.

Paresh Dattani

Yes.

Ashutosh Nemani

And how much have you incurred anything?

Paresh Dattani

No, nothing substantial. We paid some advances for some equipment, but nothing substantial.

Ashutosh Nemani

Yeah, understood. So then my second question is regarding the margin guidance you gave, so we are effectively doubling the polyester capacity.

Paresh Dattani

More than doubling the polyester capacity.

Ashutosh Nemani

But polyester margins are 9% to 10 %, like literally half of the cotton yarn.

Paresh Dattani

The asset is more than double also.

Ashutosh Nemani

Okay, so we expect like the margins to impact. And 3rd question is sir regarding the technical textile segment in their initial overview, you were very positive about this segment technical textile growing, but there is No capacity expansion plan for us. So what are the plans of the technical textiles?

Paresh Dattani

There are plans for this technical. Yeah, we have already moved ahead and we have already booked some equipment, we are doubling our technical textile capacity also, which today currently stands at 9000 MTPA. We will be setting up another 9000 MTPA in Punjab.

Ashutosh Nemani

Yeah. Okay, by when will it be set up?

Paresh Dattani

The additional capacity will come up in the last quarter of 2025.

Ashutosh Nemani

So we will be doubling that. Okay, understood. So the capacity in FY. 25 for textile would move from 9000 to 18000. Is that correct?

Paresh Dattani

Yes, it will move from 9000 to 18000 MTPA.

Ashutosh Nemani

Okay, and as in what will be the Capex for it and asset?

Paresh Dattani

That we have already got the booked the equipment under the current Capex also. Only the balance work will be done, which will not be a very substantial portion.

Ashutosh Nemani

Okay, understood. And last question, could you just tell the EBITDA mix of like in this quarter we did around 60 odd crores of EBITDA?

Paresh Dattani

We will end the year in a top line of about 3000 to 3100 crores and we will do aim to do in EBITDA of nine plus from the head.

Ashutosh Nemani

My question was not that like out of the 60 crores of EBITDA, the breakup, how, what percentage of the total EBITDA would be contributed by polyester quarter and textile?

Paresh Dattani

You know we have a lot of common facilities and a common usage, so it would be very difficult to really break that up. That's why I answered it that way that normally we do about 9% to 10 % or about on the filament yarn side, about 18% to 20 % of the Cotton yarn side and about 13% to 15 % of the answer for technical textiles. So that gives us an average better which we aim for the next year to do about 10% to 11 % at a company level on top line of 5200 to 5500.

Ashutosh Nemani

Could you provide like advanced textile growth rate that you are seeing on the ground, like based on your interaction. What next two to three years maybe?

Paresh Dattani

Well, the so called pundits and the agencies are projecting about 6 % to 8 % growth over the coming years on that.

Ashutosh Nemani

Okay, because we earlier have grown this segment by 10%, I think.

Paresh Dattani

Yeah, it's the entire textile segment yes. Okay.

Ashutosh Nemani

No, what I mean is the industrial and textile segment for the Sanathan Textiles revenue growth has been 11 % and 19 % for the last two years.

Paresh Dattani

You are talking about the Yarns for technical textiles? Yeah, yeah, Yarns Technical textiles, what the agencies have reported, they're expecting to grow at a CAGR of 13% to 15 %.

Ashutosh Nemani

We expect to grow by that rate or any?

Paresh Dattani

Yeah, so that's why we are doubling our capacity and plus we want to serve our northern based customers from the Punjab facility there also.

Ashutosh Nemani

Okay, understood. And any impact of, you know, imports from polyester yarn pricing pressure, anything that you add?

Paresh Dattani

No, substantial imports are there on the filament yarn side from anywhere.

Ashutosh Nemani

Understood, sir. Yeah.

Paresh Dattani

Thanks a lot. Thank you.

Jude Patrick Dsouza

Thank you, Ashutosh. The next line of question is from Mr. Saransh Gupta from Swan Investments.

Jude Patrick Dsouza

Okay, we move to the next participant. The next question is from Mr. Devang Doshi.

Devang Doshi

Hello, good evening.

Sir, you said like you know 50 % of our raw material has been imported I mean we have been importing it. So from which country are we importing and will the tariff war will affect the working?

Paresh Dattani

So far whatever we have been importing on the PTA front has been from countries like Taiwan, Korea and Thailand and there is no tariff war for as far as these countries are concerned. But as I said earlier, going forward, our imports will be down to a minuscule level on the PTA because of the two plans that are commissioning in the country in calendar year 25 and also for our Punjab facility, we will be sourcing from the local Panipat supplier.

Devang Doshi

Okay, ok, so thank you so much. Yeah.

Jude Patrick Dsouza

The next question is from Mr. Rahil Shah from Crown Capital.

Rahil Shah

Hi, good evening.

So firstly, you mentioned, you know, your aim and your targets for FY. 25 and FY. 26. So to just you know revisit that point, the FY. 25 guidance or outlook suggests a very mega growth of 5 % or so, right? and, and it's a substantial jump in FY. 26. So what will drive this?

Paresh Dattani

Yeah, Rahil I will explain this to you. This, when you see FY 25, the top line of 3000 to 3100, there's a mega growth because we have not really added any capacity this year. What we are adding is going forward. So next year when we, I mean when we commission this facility at Punjab in the Q1, we, we will, as I said earlier, we will start with the capacity about 400 odd tons a day and ramp it up to 700 tons in the 1st phase. So this will give us the additional capacity and we will have a top line, we aim to have a top line of about 5,200 to 5,500 crores FY 26. At the moment, our capacity, what we have, we are fully sweating and utilizing the asset.

Rahil Shah

Okay, so when this entire capacity comes on board, the new one, the Punjab facility. So when you start with 400 tons a day, that will translate into the revenue targets you've mentioned or it's at peak capacity.

Paresh Dattani

No, the peak capacity will be different because 1st year we will just about get about 70 to 75 % of the capacity because we will be ramping up from April to June. So we'll get expect to get about 70 to 75 %. That's why I said 5200 to 5500. Having said that at peak capacity when we finish the 1st phase of our expansion, we will be at about 6200 grow on a company level top line. When we finish this 2nd phase of the expansion, we will be at 7700 grow top line.

I hope I'm clear to you Rahil.

Rahil Shah

So I'm speaking on the margins now which you expect to go back to you know the double digit levels starting from next financial year. So again, yeah, so I think in FY 22 you, you did 17 % or so, so will the pricing really a lot in our Favor back then? and what expectations going forward.

Paresh Dattani

I would like to point out here that FY 22 we did 17 odd percent EBITDA margins, you're very right on that. That was the effect of the post COVID pent up demand which was there which most industries also experienced like us. We never look at that as. The realistic margin that we aim and actually can deliver. Post that the margin, so if you look at 21-22, we did 16 and 17 % and then 23-24 where the wars broke out and, the geopolitical situation across the globe got bared. Where we got down to about close to 7% to 8 %. So that's why we always say we always look at ourselves on a three-year, five year, and seven year basis. We averagely if you look back, we have done about 10.5% to 11 % over a 3, 5, and 7 years period.

Rahil Shah

So those are the, you know, steady state margins one can expect in your business.

Paresh Dattani

Yeah, of course with the Punjab Plant coming in, there will be an additional impact of margins further because of certain factors of like we are closer to the market, closer to the raw materials. We have some manufacturing advantages also up there. So that will further add to our EBITDA margins going forward.

Rahil Shah

Right, ok. And, lastly, you, you in the opening remarks you had mentioned that the sector is projected to grow a 10 %, CAGR correct? For the next decade or so. Now, that's the Indian textile sector or the globe.

Paresh Dattani

The Indian textile sector in overall the textile sector is expected to as per the agencies as per the rating agencies expected to grow at about 10 % over the next couple of years.

Rahil Shah

Right, so, putting aside the FY 26 jump because of the new capacity from there on, you can easily beat this industry CAGR in terms of top line growth?

Paresh Dattani

Oh yes, there's no doubt on that.

Rahil Shah

There's NO doubt on that. Okay perfect, so thank you so much and all the best of you. Thank you.

Jude Patrick Dsouza

Thank you Rahil, The next question sir is from Mr. Saransh Gupta,

He's asking he wants to understand what gives us the confidence of 9 % EBITDA for F.Y. 2025 on a top line of 3000 and as of half year of FY 25 we have achieved an EBITDA of 134 crores. Does this mean there is an upside in the realization or what can be the reason for the 9 % EBITDA?

Paresh Dattani

The reason for that is that we have you know as I mentioned that quarter two, there was volatility in the raw material which has now stabilized and moving up. So we have already the margin spends have improved and we expect them to be normally like we did in the 1st quarter also, which is north of 9 %. So we, we will definitely end up at 9 % EBITDA on our top line of 3000- 3100 crores.

Jude Patrick Dsouza

The next line of question is from Mr. Suhrid, from Paladin Capital. I am unmuting you sir.

Suhrid Deorah

Hi. Good evening, I had, my 1st question is, what is the approximate split of sales today?

Paresh Dattani

As we stand today on this top line of 3000- 3100 crores , we will have about 77 % of our revenue coming in from the filament yarn business, about 18 % revenue coming in from the Cotton yarn business and about 5 % coming in from the technical textiles.

Suhrid Deorah

Okay, so about two and a half thousand crores is coming from the polyester business out of this two and a half thousand crores, how much would currently be going to the north market.

Paresh Dattani

On a daily basis, what we are adding 700 tons per day over there in the 1st phase, we are today selling at about 30 %, which is about a 150 tons a day and of our current production, we are selling.

Suhrid Deorah

So, ok, so out of two and a half thousand about 800 odd crores is coming from the North Market.

Paresh Dattani

So what I would just like to point out here that, what I mentioned earlier that it's already a 1 million ton consuming market per year and what we are setting up in Punjab is just 25 % of that. What is already being consumed without factoring in any growth on that.

Suhrid Deorah

Yes, sure. So just a few adjacent questions. If you were to set if this 30 % were to go from the North market, would it be easy for your Silvassa plant to replace that by selling that 30 % to other parts of the country.

Paresh Dattani

Yes, we already have a plan made for that that 150 tons a day we always have because what we are setting up is only 25 % of what is already consumed there, the balance will still be going from Silvassa. So if it is better net back, we keep supplying that, If not, we place that in the growing western and southern markets of India or also have the options to sell that in the export market being, so we will do all our exports from our Silvassa facility being closer to the port.

Suhrid Deorah

And similarly then the competitors who are currently supplying the North market, they will also feel that loss of market share. Could there be a situation where there is excess supply in the West and prices and margins.

Paresh Dattani

Let me tell you one thing, let me make one thing clear. We are not setting up anything closer to the market or going up north with a purpose to disturb the market in any way at all. What we are, we are trying to do and what we have achieved is we have created a new ecosystem with raw material there, the customers there, manufacturing there and supply there, giving us some advantages on manufacturing costs and they're giving us accessibility and also a freight advantage. Having said that yes, there will be for a short period some replacement of material of the other peers who were selling there. But if you look at on the total 4.24. million tons of the Indian market, it's hardly about a 4 %. Now that 4 % is a growth that will take care of that 4 % extra market share.

Suhrid Deorah

Okay, that's great. Thank you so much. Yeah.

Jude Patrick Dsouza

The next line of question is from Mr. Srinath Sridhar from Infinite Financial Services.

Srinath Sridhar

My question is, how are the additional capacities going to be funded and what is going to be the gross block in FY- 26 and FY-27?

Sanjay Shah

So the funding for the new project at Punjab, we have available loans amounting to 1320 crores. At present the gross block is close to 1,700 crores, it will be around 36, 50 in FY. 25 and further 400 crores would be added on upon the quarter project in FY. 26.

Srinath Sridhar

Total loan would be 1300 crores?

Sanjay Shah

We have taken to 1,320 for the project.

Srinath Sridhar

Okay, and after that no more working capital loan would be availed?

Sanjay Shah

No, we would be availing the working capital loan, but the primary requirement for the facility would be LC, so non fund basis.

Srinath Sridhar

Okay, Thank you.

Paresh Dattani

I would also like to add here that out of the debt of 1300 and odd crores that we had taken for the new unit as per our DRHP you must have read that of the primary issue size of 400 using 300 to pay off the debt. 160 crores we have already paid off for our Silvassa unit and 140 crores will be paid off once we have availed this facility there.

Srinath Sridhar

So the cost of funding will be lower, at what rate it would be?

Paresh Dattani

The local debt is at about 9.25 % and they we have an ECB which is at about 4 %, averagely about 7%. So this 140 crores which we'll be paying back from the primary issue size will go to the local bankers as in advance over the next three years of payment.

Srinath Sridhar

Okay, thanks a lot for that.

Jude Patrick Dsouza

The next question is from the line of Mr. Jegadees Sharma.

Jegadees Sharma

Hi sir, I have two questions. The 1st one is what is the capacity of cotton yarn we are adding in FY. 26.

Paresh Dattani

Yeah, we are adding another 70 odd thousand spindles which will give us a capacity of 10,900 MTPA.

Jegadees Sharma

The 2nd question is like we are going to do 9000 metric ton of technical textiles, so what is the asset turnover and what is the Capex amount you have incurred till now for all the machineries and other?

Paresh Dattani

You know, the machinery that we have ordered is part of the current date and it has been ordered and we have spent about 4, 50,000 euros.

Jegadees Sharma

So my last question is that you have 160 crores of debt right?

Paresh Dattani

We have already prepaid that from the primary issue. For the current plant, we have paid the 160 crores.

Jegadees Sharma

Yes, so my question is like, do you think we will be debt free in next three, four years?

Paresh Dattani

Yeah, we'll be net debt free over the next three, four years if you want to, but we also are making plans to grow otherwise, so it all depends how it moves ahead.

Jegadees Sharma

Okay ok so thank you sir. Congratulations. Thank you very much.

Jude Patrick Dsouza

There's a message from Mr. Rajender Singh. He's asking, he wants to know the source of Capex for capacity expansion, how much debt and equity dilution is expected.

Paresh Dattani

We have already explained that that on the total 1st phase we are spending about 1,800 odd crores. We have taken a debt of 1,320 crores. The balance is for our internal approvals and out of that we have already spent about 450 to 470 crores of that.

Jude Patrick Dsouza

Thank you sir. The next line of question is from Mr. Surya. He has not unmuted his mic. Okay, that was, that was all the questions from the participant site sir.

Paresh Dattani

So thank you very much everybody. Thank you for sparing time and participating in this phone call. And if you have any other questions, then anytime we are free to answer.

Garvita Jain

Excuse me, sir. Sorry to interrupt, but I have one last.

Paresh Dattani

Yes please go ahead.

Garvita Jain

So this question is on part of exports. I wanted to understand that our exports have reduced significantly and in the year 22-23, we had major exports to Argentina and which is not there anymore. So what was this export for and reason for this call.

Paresh Dattani

I would like to just tell you that on the, we have been sweating our asset fully on the export front, we, our exports have moved between 5 % to 16% because we are not under pressure to sell, we move our needle of exports depending on the better net back. If our netback is better than exports, we move more percentage to exports. If we feel local is paying us better, we move it down to that. So I hope that answers your question.

Jude Patrick Dsouza

Yes sir? So we have No further questions sir.

Harsh Mittal

I have one small question if I if I may.

Paresh Dattani

Yeah, go ahead.

Harsh Mittal

So one small question sir, this there was one news article recently around 15-20 days ago that garden silk meals is going to invest with a joint venture with the IOC in Odissa with the PTA and MEG plant. So are we seeing any capacity addition in the polyester yarn segment? Any intelligence there sir?

Paresh Dattani

See, harsh, I would like to point out one thing to you that as I said earlier, we are at about 4.2 million tons at an industry and with the PLI scheme for manmade and with the government also realizing that the growth has to come from manmade to feed the entire country and the exports, over the next couple of years we will need about five and a half million tons of filament Yarn from the country. Now somebody will have to grow, so the growth will definitely happen, but having said that I would also like to point out here that ours is the last plant that has been commissioned in April that is coming through, to put a plant of this scale, it requires a minimum of two and a half to three years and there is no announcement as of today a formal announcement or or let's say I would say there's no groundwork that has been done so far. So if anything has to come it will take another three years minimum to come and we will require more capacity. One more thing I would like also like to inform you here today that on the Filament yarn space when you go back a couple of years, ten to 15 years back, there were about 5000 players. Today this 4.2 million ton capacity, seven people hold about 85 % of the market share. That's how consolidated that industry has become and this additional capacity will have to come from one of the seven.

I hope that answers your question Harsh.

Harsh Mittal

Got it sir. Got it Yes. Thank you.

Paresh Dattani

Anything else is there jude?

Jude Patrick Dsouza

No, that's it Sir.

Paresh Dattani

Thank you, thank you everybody for participating and the pleasure that you took out time and attended our call. I thank the entire team at Sanathan for the untiring efforts and all our stakeholders for the continuous support and trait in our company. This is all from our side and I would like to thank you very much for your time and attention. Thank you very much.