SIYARAM SILK MILLS LIMITED

21st May, 2024.

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**

Dear Sir,

Sub: Transcript of Analyst / Investor Meet.

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 14th May, 2024.

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

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FERNANDES

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"Siyaram Silk Mills Limited

Q4 FY '24 Earnings Conference Call"

May 14, 2024

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

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

Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY24 Earnings Conference Call of Siyaram Silk Mills Limited. As a reminder, all participants' lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your 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, Sejal. Good evening, ladies and gentlemen. I welcome you all to the earnings conference call of Siyaram Silk Mills Limited to discuss the Q4 and FY24 business performance.

To discuss this quarter's performance, we have from the management, Mr. Ramesh Poddar, Chairman and Managing Director, Mr. Gaurav Poddar, President and Executive Director, Mr. Ashok Jalan, Senior President and Director, and Mr. Surendra Shetty, Chief Financial Officer. Before we proceed with this call, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. For more details, kindly refer to the investor presentation and other filings that can be found on the company website.

Without further ado, I would like to hand over the call to the management for the opening comments and then we will open the floor for Q&A. Thank you and over to you, Ramesh, sir.

Ramesh Poddar: Thank you. Good evening, everyone, and welcome to Siyaram Silk Mills Limited earnings conference call for the quarter and financial year ended 2024. I hope everyone got an opportunity to go through our financial results and investor presentation, which has been uploaded on the stock exchange as well as on the company's website.

Let me begin by giving you a brief overview of the performance in the last year. Our revenue adjusted for one-time export sales remains almost flat, which, in our view, is a decent performance considering the muted consumer demand, inflation, and lesser number of wedding days. We have taken several initiatives in the last fiscal to maintain this performance.

We also continue to extend our store presence across India. Our total store counts has reached 247 stores as on 31st March 2024. We believe as inflation decreases and input price weakened, it presents a favourable opportunity for domestic brands in India to thrive. The company is poised to benefit from the anticipated revival of the retail sector. Our commitment to delivering high-quality fabrics remains at the forefront, making sure we meet the varied demand needs of our types of customers. With a diverse brand portfolio offering a wide range of designs, style, and quality levels, we strive to satisfy our customers' preferences.

Siyaram is proud to be organized and recognized as one of India's leading brands in the fabric, ready-made garments, and textile products market. We understand men's clothing needs and are dedicated to staying ahead with innovation and technology. The company is pleased to announce that the Board of Directors has approved a final dividend of INR4 per share with a face value of INR2 each.

This makes the total dividend for the year at INR11 per share. In the last fiscal year, we have also done a buyback to the tune of INR108 crores. These decisions reflect the board confidence in the company's financial strength and future prospects, emphasizing our commitment to delivering value to our shareholders.

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

Gaurav Poddar: Thank you, Rameshji, and good evening everyone. Thank you for joining us on the call. The industry has experienced a temporary decline in demand, mainly due to inflationary pressures and weak customer demand. However, we are optimistic that the retail sector will pick up soon. Despite recent challenges, we believe in the resilience of our industry. As the economy gets more stable, people will start feeling more confident about spending money again.

The blend of both the online and offline shopping world will surely increase the demand in the future. Our focus in the last few years has been to add products and brands that are relevant in the markets. We have not only diversified and grown our offerings, stores and distributors, but have also worked on a lot of understanding of the end markets to stay relevant.

We at Siyarams ensure that the fabrics are not only stylish, but also easy to take care of. When you choose us, you are not just choosing fashion, you are choosing convenience, simplicity and excellence. In the last quarter, we have strategically decided to merge the smaller format stores of Men's Bazaar, which showed more favourable sales when we merged them to the existing stores of Siyarams.

We rationalized the teams that were created separately for Men's Bazaar towards opening Siyaram stores and this exercise was more fruitful. We were able to open 6 stores in the last 2 months and we believe that this decision will help us accelerate the store opening in the coming year. We target to open 40 number of stores in the next fiscal year. There are also several initiatives that we are taking to accelerate the growth of the company in the coming years.

As a strategy, we have started working on a new retail project that will take us closer to the end consumers and we shall be able to take larger wallet share of the consumers. We have done a detailed analysis and have started deploying some resources towards the same. We would also like to highlight that Siyaram always believes in disciplined capital approach and we are very careful when we deploy capital and resources towards any new project.

However, we will only be able to share more details towards this initiative in the quarters to come. Now, I would like to give a brief on the financials of the quarter ended March 24. In this quarter, we reported sales of INR646.4 crores. In the corresponding quarter last year, we reported sales of INR694.8 crores. Despite increased advertising and marketing expenditure this quarter, we have delivered EBITDA margin of 16.4% in Q4 FY24. This is in line with our stated objective of investments in brand building and increased visibility to gain market share. We continue to survey our customers regularly to see how we can position our products to match the preferences of customers.

The feedback received drives us to innovate. We are finding smarter ways to do things by being more efficient with our resources and keeping costs in check. We are on a path towards sustained growth fuelled by innovation, smart choices and a whole lot of optimism.

Now, I would request our CFO Mr. Surendra 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, Gaurav ji. Good afternoon everyone. In terms of standalone financial performance for Q4 FY24 our revenue from the operations for Q4 FY24 stood at INR646 crores as compared to INR695 crores in Q4 financial year 23. Our revenue mix comprised fabric at 82%, garment at 13% and yarn and others at 5% in Q4 financial year 24.

We are pleased to report an EBITDA of INR106 crores with an EBITDA margin of 16.4% for the quarter. Furthermore, our profit after tax for the quarter stood at INR69 crores with a PAT margin of 10.7%. In financial year 24 our revenue from the operations is INR2087 crores as compared to INR2229 crores in financial year 23.

Our revenues remained almost flat year-on-year if we adjust for the one-time export order of INR82 crores received in FY23. EBITDA for financial year 24 stands at INR285 crores and EBITDA margin stood at 13.6%. PAT for FY24 stood at INR185 crores and PAT margin stands at 8.8%. Thank you. That is all from my side and now we can open the floor for question and answer.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Nirav Savai from Abbakus. Please go ahead.

Nirav Savai: Hi, thanks for the opportunity.

Moderator: Sorry to interrupt you, sir. May I request you to use your handset, please? Mr. Nirav, due to no response from the current participant, we will move on to the next question. The next question is from the line of Akshay from Green Portfolio. Please go ahead.

Akshay: Hi, good afternoon, sir. I have two questions. First is, could you please outline our revenue projections for the upcoming quarter and the second one is what are the demand sentiments that you are expecting in the first half of FY25?

Gaurav Poddar: Thank you, Akshay. I think both your questions have some commonality amongst them. So, basically for this first half of this year the year looks a bit challenging as we have less number of wedding dates and also there are heat waves that have reduced the weddings that are generally planned in these months of the year.

So, this first half looks quite challenging, but we are hopeful that the second half will be better with the markets picking up and the festivities coming in. And over the year, we would like to give a guidance of about a 10% to 12% revenue growth.

Akshay: Okay. Thank you, sir.

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

Prerna Jhunjhunwala: Yes. Congratulations, sir, on a recent fabric sales performance in this challenging year. I just wanted to understand in this year, what was your distribution network expansion which led to this improvement in this stability in sales?

Gaurav Poddar: So, we have a constant policy of reviewing the number of distributors that we have and adding or subtracting them as required. Generally, as we review different product segments between our brands, we keep adding distributors based on an ongoing basis.

As we are aware that the last year had tough business sentiments and we were able to maintain this stability of sales largely due to a lot of interaction with our customers through sales conferences and planning and that was one of the main reasons why we could maintain the stability in sales.

Prerna Jhunjhunwala: Okay. But any number that you can highlight in terms of maybe the retail outlet reach or the number of distributor reach or something like that which could suggest that this would continue or maybe sale volume for premium product sale versus the economy segment, some color on fabric segment would help?

Gaurav Poddar: So, the premiumization has remained quite constant. Actually, the average rate has been constant. The sale also has been constant. There's not much growth in the numbers. As I said, if we look at just distributor sales per se then that is not an actual benchmark because there are times when based on the distributor capital allocation that he commits we have to adjust our network accordingly.

So, we have to make sure that we are present and we are able to match the area sale and based on that we keep adding our network based on how he's justifying the product. So, there is always a continuous expansion, but there is no number as such that can be comparable.

Prerna Jhunjhunwala: Okay. So, could you help us understand where the demand was better or bad, urban, rural, Tier 1, Tier 2, Tier 3 to get some idea on this fabric as well as garment sales?

Gaurav Poddar: So, as you know, our brand and our products are mostly the sale in rural markets are stronger than the sale in urban markets. And in the last year, we saw that there was tougher rural demand and that is why we had a tough year last year. We have maintained stability because of our marketing efforts, but the rural market was very tough last year.

Prerna Jhunjhunwala: Okay. And last question for the time being is on the yarn revenues. We've witnessed around 30% decline in the yarn business. Could you help us understand what was the reason behind?

Gaurav Poddar: Yes. So, basically, this yarn business is actually our Indigo business where we started off by dyeing this Indigo yarn. And over the years, this business we have -- in the last year or so we have started even value adding that product to knitted fabrics.

The reason we see a large decrease in the value is because of the largest part of the sale is still selling yarn Indigo dyed yarn. And the cotton price fall of about 25% last year has led to the value loss of about 21% or so that you see in the last year. Volume-wise, it has been about 6%, 7% lower.

But what is notable is that in the last year, we are able to, as a percentage of mix between fabric and yarn, we were able to double our fabric sale, which has helped us in the EBITDA margins of the yarn business. And going forward, this is a new product category, which we are very confident that this knitted fabric denim product is being well accepted by the B2B players in the market, the brands, retailers across the country. And we are getting good response.

And slowly, we would like to increase the percentage of the fabric sale, which will help us in the profitability also.

Prerna Jhunjhunwala: Could you help us understand what is the capacity of fabric and where do you intend taking it over the next three years?

Gaurav Poddar: So, the knitted fabric, you are talking about the Indigo knit business, right?

Prerna Jhunjhunwala: Yes, yes.

Gaurav Poddar: Knitted fabric capacity is about 200 tons per month. And this is, we are trying to first establish this business, because it is a relatively newer business and a relatively newer product. These brands and retailers that we, they are the garment brands and retailers, they work on a seasonal basis. So, while acceptance is good, the whole cycle to convert is slightly slower. We have got good response last year and we continue to, we hope to continue seeing very good response and optimizing the capacity in this year also.

Prerna Jhunjhunwala: What is the utilization this year?

Gaurav Poddar: So, last year, the fabric capacity was about 25% utilized. So, first, we will try to optimize that.

Prerna Jhunjhunwala: Okay. Understood, sir. Thank you and all the best.

Gaurav Poddar: Thank you.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor: Yes. Namaskar, sir, and thank you for the opportunity. Firstly, sir, if you could give us some understanding of our utilization levels for Q4 and for the full year.

Gaurav Poddar: You are talking about capacity utilization?

Saket Kapoor: Yes, sir.

Gaurav Poddar: In the fabric business, we outsource about 50% of our capacities. So, and in the garment business, we outsource about 80% of our capacity. So, generally, in-house capacities are always fully utilized. In the yarn, I have already mentioned, the yarn capacities are about 50% utilized and the fabric capacity I have already mentioned earlier. So, we are largely on the manufacturing side of an outsource-based model. The capacity utilization is generally not a concern.

Saket Kapoor: Okay. And, sir, the key reason for outsourcing the capacity are means there is a lot of capacity in the ecosystem that does not get the right product fit. That is the reason why is this model being continued by us?

Gaurav Poddar: When we started Siyaram back in the late 70s, we started as a manufacturing company. But over the years, we have moved and transitioned to becoming a branded company. We spent a lot on the Siyaram brand and J. Hampstead, Cadini, Oxemberg, all these brands and portfolios that we have created has added the value and today the premiumization or the premium rate that we get is largely due to the brand.

So, considering that in mind, we are able to outsource and focus more on the marketing side and block capacities and utilize outsourced capacities. It also gives us a lot of flexibility in terms of the seasonality of the business when there are off seasons and low seasons and we are able to adjust quicker and adjust according to the market scenario. So, in our presentation also, we talk about having an asset-light model, which we strongly believe in and marketing is something that we are moving towards, the brands that we created and how we represent in the market.

Saket Kapoor: We have a closing capital work-in-progress of INR18.70 crores as on 31st March 2024. So, what will this add to, which segments and when it will get capitalized?

Management: Capital work-in-progress you are talking about, correct?

Saket Kapoor: Yes, the closing balance of 18.7 and last year, when we look at the cash flow, we have done around INR59 crores investment in our plant and equipment. So, all these are maintenance capex or are we adding capex?

Management: These are all maintenance capex mainly.

Saket Kapoor: Okay, so these will lead to efficiencies, these are all margin accretive steps?

Management: See, time to time, we will have to upgrade our technology also a little bit and certain repairs and maintenance we have to undertake. So, certain maintenance capex, that is the whole thing about.

Gaurav Poddar: Last year, we had announced capex for increasing in work-in-process. So, capex generally happens, sometimes there are increase in manufacturing capacities also, but they are generally not increasing the overall capacity, they are more replacement oriented, they are more upgradation oriented.

Largely, the outsource model is what we will believe in and asset-light is the way to go, but there is some kind of in-house manufacturing is required for flexibility.

Saket Kapoor: Correct. Sir, you mentioned about the INR17 crores extra spent on the advertisement part. So, for year as a whole how much have we spent and what have we budgeted for the next year?

Gaurav Poddar: So, we truly believe that the strength of the brands needs to be continuously done through advertising. Last year we had an increased budget and we spent approximately 4% of our revenue in advertising. This year also we estimate to spend 4% to 5% on this advertising and sales promotion to continue with this trend of promoting our brands.

Saket Kapoor: 4% to 5% of the revenue?

Gaurav Poddar: Right.

Saket Kapoor: And sir in the digital medium do we have tie-up with any omni channels through which our sales are happening in terms of Myntra and other websites which cater to the needs of the people in this segment?

Gaurav Poddar: Yes, we have some of our garment brands that are available on third-party websites and as well as our own website. The percentage of that sale is very small that is because all our brands are heavily sold through our distribution network and since we cannot discount those products online generally we find that online sale is largely a discounted sale and we cannot disturb our distribution network and our general trade through which we have the largest percentage of sale coming from.

So, that is more of an avenue of creating awareness that the products are available, but it does not contribute to a large significant percentage.

Saket Kapoor: Sir, one small point on the processing and labour charges. When we look at a comparative number for March 23 and March 24 there is an increase to the tune of INR16 crores. So, are these advertising costs being debited in the processing endeavour or what should we read into this increase?

Management: See, this is mainly due to the outsourcing. So, processing and labour and processing charges have gone up because whatever the additional production we require we outsource it. That is the reason why these particular expenses are going up.

Saket Kapoor: But sir on the revenue profile there is a dip that means that there was a lower percentage of outsourcing in the preceding quarter of March 23 than for this quarter?

Management: Yes, there was a lower percentage of outsourcing means certain amount this time you see even though certain readymade garments etc outsourcing has become more.

Saket Kapoor: Come again, sir, I missed your point.

Management: There are readymade garments, the outsourcing has become more.

Saket Kapoor: Okay. And, sir, you alluded in your opening remark and also to reply to a ma'am earlier that we are facing a tough environment and the sentiment is also not conducive for growth because of the dry weather conditions, marriages are also not scheduled. So, these sectors we would be looking for tepid growth going ahead?

Gaurav Poddar: As mentioned earlier we find we look at the first half as being a little challenging. However, we are optimistic that the second half when the festivities come in and wedding dates are there, the demand should start kicking in. And I have given a revenue guidance earlier of 10% to 12% for the whole year.

Saket Kapoor: Two small points and I'll join the queue. Firstly, on the investment properties. So, what does this investment stand for and there is a reduction when we see the investment property to the tune of closer to it is INR12.71 crores for March 24 vis-a-vis INR13.60 for March 23. So, what explain this reduction and what is the rationale for these investment properties?

Management: On this point, I will come back to you. You sent me this one because we will have to see that which investment you are referring to.

Saket Kapoor: I am referring to non-current assets, investment properties, line item C?

Management: I will come back to you on this.

Saket Kapoor: Okay, sir. I'll also join the queue. On the stores part, sir, you did mention about your 247 stores present. So, do we invest in them? What kind of synergies do we have with this?

Moderator: Thank you. The next question is from the line of Bhargav from Ambit Asset Management. Please go ahead.

Bhargav: Thank you very much for the opportunity. Sir, my first question is that how much of the garment sales happens through our own stores?

Gaurav Poddar: Thank you for your question. I would have to remove the exact breakup, but approximately 4% to 5% of overall sale is through our stores apart from the factory outlets that we have.

Bhargav: So, is there a plan to increase this proportion maybe in the next 2 years to 3 years?

Gaurav Poddar: Yes. So, generally, in the garment business we see that there is a slightly higher chance of growth in the trade as well as through our stores, but the percentage of contribution for the garment in the overall company is smaller. So, the effect is not seen as much. But generally to your point is yes the garment sale as a percentage would slightly increase.

Bhargav: No, I was referring to the garment sales from our own stores which is currently 5%.

Gaurav Poddar: Garment sale is not 5%. Overall sale is 5%. I don't have the number with me, but it would be approximately garment sale contribution in our stores would be roughly about 40%, 45% of the overall sale of the stores which we expect to increase over in time.

Bhargav: And what is the guidance on new store additions for FY25?

Gaurav Poddar: So, the model that we follow is largely a franchise owned and franchise operated model where the franchisee invests in the stock as well as the furniture and all expenses are borne by him. So, in an environment such as the one we are facing it is quite difficult to find people to invest in the company, but we have taken a target of 40 stores that we will open in this year.

Bhargav: 40 stores you will open in FY25 is what you are highlighting?

Gaurav Poddar: That's right.

Bhargav: And sir when we sort of sell these garments to the wholesaling model I would presume that these are small mom-and-pop shops. So, essentially they would also be having their own private label. So, assuming that our branded garment will be at a premium to their private label what is the incentive for them to sell your garment?

Gaurav Poddar: So, the distribution channel through which we sell our apparel services retailers of all sizes. They are small mom-and-pop shops or they are larger regional retailers of that area. So, that is the extreme end. One is the smallest mom-and-pop shop and the other end is a very large regional format retailer who has multiple branches and large shops. So, based on the kind of maturity that this retailer has, he would have his private label. So, there are many who have just branded apparel.

There are many who deal in unorganized apparel which is a very large market share in the apparel industry and then there are the larger ones who also have private labels. Of course, a private label for a large retailer is manageable because of his volumes and number of branches. But even when he has private labels he requires to have multiple brands which is why he is classified as a multi-brand outlet. And these brands that are available in the market he keeps them because it generates footfall to his store because the private labels that he has are not advertised and he needs to create a portfolio of different brands and products that he offers to his customers to generate his footfall.

Bhargav: Yes, but for the brand spending which we do on garments will be very minuscule?

Gaurav Poddar: In comparison, yes, the brand spending on the fabric and the Siyaram other brand is much larger. We spend and allocate our budget accordingly, but ultimately, we have to create a brand in all segments whichever brands we are present in to be available and acceptable to the consumer and also to the trade.

Bhargav: So, do you think that you'll have to change the strategy to step up your garment business and the current strategy is not sort of working as per your expectations because it's been a long time since we've been present in the garment business, but unfortunately the contribution hasn't been that meaningful?

Gaurav Poddar: So, garment business we have been reviewing over time. We have exited from the earlier large format shops which are not helping the bottom line as this was happening just before COVID or during COVID. Because that was not - we are in the mass market segment and these larger format shops are not helping the revenue, the bottom line happening, although the revenue was there.

So as a decision, we exited that. However, we are looking at how we can expand this network through our own stores and we are growing this business also.

Bhargav: Okay, sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Aditya Vora from Share India Research. Please go ahead.

Aditya Vora: Yes, thanks for the opportunity. I had a question on the minimum import price, which the government has levied of USD3.5 on the Chinese imports in the knitted fabric segment. So can you talk more about it? One and second is how has been the impact on the Indian fabric manufacturers?

Gaurav Poddar: So over the last few years, there has been a lot of this Chinese fabric coming in India. Due to this regulation by the government, in the official channel, there will be a drastic reduction in this import. This was largely the knitted side of fabric, which was going into knitted garments. Large share of our products are in the woven segment. And we do buy some of the knitted products for our garment brands as well. So definitely, there will be a boost for the Indian manufacturers across segments, because the government of India wants to promote made in India fabrics and made in India garments. So it is good for the Indian manufacturing and time consumption story.

Aditya Vora: Right, but basically, you're saying it won't move a needle for Siyaram, considering the fact that in that particular knitted fabrics, you are not present?

Gaurav Poddar: It is largely for the knitted apparel that was being imported in north of India for their productions for knitted garments.

Aditya Vora: Right, right. Okay. So and secondly, I wanted to know this whole recycling thing is taking a lot of center stage. So when we make our products, do we take the virgin yarn or do we take the recycled yarn? I mean, what is the proportion? And how do we see that sourcing going ahead?

Gaurav Poddar: So when we export, there are some requirements of buying recycled yarn. And that is a trend that is catching up very rapidly. And as required, we are able to source these different kinds of products to keep in mind the environment.

Aditya Vora: Right, but is the recycled yarn cheaper than virgin yarn?

Gaurav Poddar: No, it is not cheaper, it is more expensive, because there is additional processes done on it.

Aditya Vora: Right, it is only because of the statutory requirement that you will have to source your recycled yarn, otherwise virgin would be fine for the Indian market?

Gaurav Poddar: Sourcing of all products are available. Based on requirements, we are able to source these recycled yarns and recycled products. It is not so much of a requirement in the domestic business now.

Aditya Vora: Okay, got it. And lastly, in your view, has the demand, I mean, bottomed out, the fall in demand, has it bottomed out? And do we see, you alluded to the fact that first half of FY ' '25 could be difficult. But where do we see things going ahead?

Gaurav Poddar: So, we feel that this first half is challenging and it is tough. I can never say it is bottomed out. We are hopeful that the second half starts picking up. Diwali is also slightly late, and the festivities kick in towards the second half. So, hopefully by then, the demand should pick up. Till then, we have to be aggressive and keep try to keep stability.

Aditya Vora: Right. Okay, sir. Thank you. I will get back in the queue later.

Moderator: Thank you. The next question is from the line of Aditya Sen from Robo Capital. Please go ahead.

Aditya Sen: Hi, thank you for the opportunity. Sir, do we have any guidance on the margins? Are we looking forward to go towards the 16% range?

Gaurav Poddar: So, it has always been an endeavor to maintain our EBITDA margins 14%, 15% in that kind of range. However, in the short term, there will be needs and we will not shy away from spending on advertising and marketing so that we maintain and promote our brands and our products. The nature of business is dynamic and the first half is challenging. But over a longer term, we are confident of maintaining this 14%, 15% of sustainable margin.

Aditya Sen: So, for FY '25, it should be below 14%. Is that correct to assume?

Gaurav Poddar: It is our endeavor to continue this guidance even for FY '25.

Aditya Sen: Okay, all right. Got it. Thank you.

Moderator: Thank you. The next question is from the line of Keshav Garg from Counter Cyclic. Please go ahead.

Keshav Garg: Sir, I am trying to understand that if we see that during the past six years, our total revenues have increased by around 3% CAGR, which is less than the rate of inflation in the country. And our EBITDA has also increased by roughly 2.5% CAGR, which again is less than the inflation in the country. But on the other hand, our balance sheet and cash flows are very strong.

But it seems that something is not correct with our growth strategy because I think in the past six years, the domestic textile and apparel market would have definitely increased by over 3%. So, in fact, it might have increased at more than double the rate at 6% CAGR over the past six years. So, in that case, what do we need to do to basically increase our sales momentum?

Gaurav Poddar: So, thank you for your question. As I mentioned in the opening speech, to enhance this growth and to identify ways of growing in the longer run, we are working on a new retail project that is still on the drawing board because we understand that this organized sector of the industry is growing rapidly and is taking a larger share of the overall industry. This will also help us increase our apparel sales because it is going to be as a finished product.

So, we are still on the drawing board, but this is an identified area that we want to be part of and which will help us come out of this small number that you are talking about.

Keshav Garg: Sure, sir. And, sir, also if we see at our garment revenues, they have declined from around INR350 crores in FY '22 to around INR270, INR275 crores last year. So, going forward, sir, you think that we can grow the garment piece of the business at a faster rate than the 12%, 15% overall rate, 10%, 12% overall rate of growth that we are expecting?

Gaurav Poddar: So, in the business that we are in right now, it is always that the garment business will grow slightly higher than this average, but the retail business that I am talking about is also going to be a finished product business. So, that will also ultimately end up being a garment sale.

Keshav Garg: And lastly since our revenue and EBITDA and EPS is not growing at least in the past six years, so going forward, sir, can shareholders expect more share buybacks or last year's buyback was a one-off buyback?

Gaurav Poddar: This is something we will take a call as and when the situation arises. Company has been doing consistent dividends and last year there was a buyback that was announced. As and when the situation arises, we will take further decisions.

Keshav Garg: Okay, sir. Thank you very much and best of luck.

Moderator: Thank you. The next question is from the line of Mahesh Atal from Lucky Securities. Please go ahead.

Mahesh Atal: Hello, sir. What is the percentage of premium fabric sale in our last year entire revenues?

Gaurav Poddar: It is very difficult to give you a percentage like this because we have generally been seeing...

Mahesh Atal: What would be a ballpark number?

Gaurav Poddar: So, it is very difficult to define this because there are different blends of fabrics and different blends of, when the raw material price also has an impact on what blend is selling and how the product changes. So, what is our endeavor is to try to preimmunize the product, but then, depending on the demand situation, it keeps fluctuating. So, it is very difficult to give you a number as such, but we have seen traditionally, apart from the last year, we have seen a trend of increasing realizations, which has been because of premiumization. As a brand, we are participating in all kinds of product categories, whether it is blends of wool, blends of linen, blends of cotton, 100% cotton, 100% linen.

So, these are all premium fibers, but the mix keeps changing based on the demand. So, it is very difficult to give a certain number like that.

Mahesh Atal: And out of these 247 stores that you say, how much of that would be in your rural region and how much would be in the urban region?

Gaurav Poddar: So, large part of them are in the rural region and from the 247...

Mahesh Atal: Can you divide it in percentage?

Gaurav Poddar: I do not have an exact percentage, but I think maybe 75%, 80% would be Tier 2 and below.

Mahesh Atal: Okay. And when we say that we have outsourced to add to the previous questions, someone has raised that question previously, because the garment sale in the stores as such, when you say that the garment is an outsourced thing, which is asset like model, don't you think that we should focus on the garment sale from the that stores more and the advertisement should be in that direction? Are we planning on that? Something like that?

Gaurav Poddar: We look at both the businesses independently. The garment as a percentage of stores, as I mentioned earlier, was roughly about 40%. And this percentage we expect to grow in this year. And the advertisements are done independently for each brand. So, they are done to represent and create awareness in the overall consumer, not just for retail, even for the channel sales.

Mahesh Atal: All right. And your view on the raw material prices, because as of now, I think cotton prices are somewhere in the very consistency in the cotton prices. We see a lot of consistency. The domestic prices are obviously lower than international prices. So, do you see any hit on, any uptake on our EBITDA because of that?

Gaurav Poddar: At the moment, we see a small uptrend, but generally a stable price outlook for raw materials. So, generally this year, there should not be any margin impact based on raw materials because it seems quite stable.

Mahesh Atal: So, that means if we are actually working on adding our premium product, we could actually, so let's say, currently, let's say the percentage of premium goes to double, then automatically there could be an increase in our EBITDA percentage, right? If I am not wrong. What would be the difference in the spread of premium fabric and general fabric?

Gaurav Poddar: See, we are in the fashion business and every time we launch a new product, every design we make has a different pricing policy, like a new pricing that we attach to it. And all of this depends on how the market accepts and we have a, we develop a range and then we keep refilling whatever has sold and we keep understanding trends and keep modifying.

We don't work on a seasonal basis where we design once in six months. So, based on the trends, we are able to refill a range and understand what the consumer demands and, adapt accordingly. So, it's very difficult to tell you exactly what is the premium percentage or how much that will increase and how much that will affect the margins. So, that is why we give an overall guidance on the numbers.

Mahesh Atal: And coming to our distribution strategy, are also do we have distribution like only for a brand segment, like Cadini is one brand and one distributor for that or the distributor has multi, he can put Oxemberg and everything in his thing. So, how is that our distribution strategy operating currently for these brands?

Gaurav Poddar: So, generally we have distributors across brands and then even within brands we have sometimes there are different categories which we give to different distributors so that they are able to justify that product. So, that is largely based on the market and the distributor, how much financial capacity he has, how much manpower capacity he has, what is his vision to grow the business and then we keep reviewing that.

So, it is not necessary that he would have only one segment, he could have more than one segment, he could have more than one brand, that totally depends on how his performance is and how he is aligned with the company.

Mahesh Atal: And do we also review the performance of the distributors sometimes?

Moderator: Sorry to interrupt you, sir. May I request you to rejoin the queue? Thank you, sir.

Mahesh Atal : Yes, sure.

Moderator: The next question is from the line of Arjun Goel, who is an individual investor. Please go ahead.

Arjun Goel: Hi, sir. Good evening. My question actually pertains to another participant touched upon it regarding the payout policy. So, given this buyback for FY'24, your payout goes up to 80%, 85%. So, what do you expect or can you guide in terms of what you think will be the return to shareholders in the short term? Is it likely to in upwards or will it remain to the historical 15% to 20% kind of range? Any guidance will be helpful. Thank you.

Gaurav Poddar: So, generally, we have a dividend payout kind of policy, which is somewhere in the range of 25% plus or minus. It is not a fixed number as such, but it is a rough guidance. The buyback was something that was done last year as a decision to reward the shareholders. That is a separate decision altogether. There is a dividend policy that has been stated in that kind of range.

Arjun Goel: Okay. So, we should not take any signal in terms of that it will now increase the payout or amount return to shareholders, to put it in other words?

Gaurav Poddar: The buyback was a decision taken last year to reward the shareholders. In case a situation like this arises again, then these decisions will be taken again. Dividend is something the company has been following for last maybe 20-25 odd years or a large number of years. Consistently, dividend has been as a payout and that we expect to continue.

Arjun Goel: Okay. Thanks.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I now hand the conference over to the management for closing comments.

Gaurav Poddar: Thank you, everyone, for joining us on this call. We look forward to meeting you again on the next call. If you have any questions, in the meanwhile, you can contact Orient Capital, our investor relations agency. Thank you so much.

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