

RSWM/SECTT/2022  
June 06, 2022

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
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**Sub: Transcript of Investors Conference Call held on 30<sup>th</sup> May, 2022.**

Dear Sir,

Please refer to our Investors Conference Call scheduled on 30/05/2022 intimated vide our letter dated 23/05/2022.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the said Investors Conference Call. The said transcript is also available on the website of the Company.

You are requested to take the same on record.

Thanking you,

Yours faithfully,

**For RSWM LIMITED**



**SURENDER GUPTA  
VICE PRESIDENT – LEGAL & COMPANY SECRETARY  
FCS-2615**

[rswm.investor@lnjbhilwara.com](mailto: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](http://www.rswm.in)  
GSTIN: 09AAACR9700M1Z1

**Regd. Office:**  
Kharigram, Post Office Gulabpura - 311 021  
Distt. Bhilwara, (Rajasthan), India  
Tel: +91-1483-223144 to 223150, 223478  
Fax: +91-1483-223361, 223479  
Website: [www.lnjbhilwara.com](http://www.lnjbhilwara.com)  
GSTIN: 08AAACR9700M1Z3

**Corporate Identification Number: L17115RJ1960PLC008216**



**“RSWM Limited Q4 & FY22 Earnings Conference Call”**

**May 30, 2022**

**MANAGEMENT:**

**Mr. Avinash Bhargava: Chief Financial Officer**

**Mr. Surender Gupta: AVP - Legal & Company Secretary**

## RSWM Limited -Q4 & FY22 Earnings Conference Call

**Moderator:**

Good day, and welcome to the RSWM Limited Q4 and FY22 Earnings Conference Call. We have with us today from the management, Mr. Avinash Bhargava, Chief Financial Officer; and Mr. Surender Gupta, AVP Legal and Company Secretary. As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "\*" then "0" on your touchtone phone. Please note that this conference is being recorded. 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 future results performance or achievements that differ significantly from what may be expressed on such forward-looking statements. I now hand the conference over to Mr. Avinash Bhargava, for opening remarks. Thank you, and over to you, sir.

**Avinash Bhargava:**

Thank you so much. I am Avinash Bhargava, CFO, RSWM Ltd. Now I'll start my conversation with you. Thank you. Good afternoon, and a warm welcome to all our participants in Q4 and annual conference call. I hope you had a chance to look at our Investors presentation, which is uploaded on the stock exchange and on our website. Now, I would like to start with a brief introduction about RSWM Limited. We are one of the largest manufacturers and exporter of yarn and denim in India. Our yarn segment includes synthetic, mélange, blended, cotton viscose and specialty and value-added yarn. This contributes approximately 80% to our revenue. Denim contributes 20% which includes both spinning and fabric manufacturing. In FY22, we have commenced knit business also with an initial investment of Rs. 80 crores which will start contributing in FY23. Now, I would like to start with my opening remarks, which is divided into 3 parts, starting with a brief overview on textile sector, then about our yarn and denim segment, and finally, key financial highlights for the quarter and full year as well. Let me begin the call by iterating our outlook on the industry. Textile industry has seen significant rebound and growth in both markets domestic as well as exports in FY22 after the outbreak of COVID-19. That sector has utilized the opportunity in best possible manner, which can be validated by business increase in both the markets. India's Textile and Apparel exports have surpassed US \$40 billion mark for the first time in FY22 versus US \$33 billion in FY21. Industry aims to touch \$100 billion by 2030. Huge demand has also resulted into excessive pressure on the logistic, rising freight charges due to shortage of container, higher coal and cotton prices which are impacting the sector margins. Continued support from government via various schemes has put sector in better space. China plus One strategy has brought focus into Indian market globally. Trade pact with UAE and Australia to allow zero duty access will boost textile sector. The importers have started looking for different supplier after US passed its law related to ban the imports from Xinjiang region, which account for 20% of globally produced cotton,

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which has helped Indian suppliers to come into picture. Now coming to our yarn business. In FY22, we saw good traction in our yarn segment. Currently due to higher competition and constant pricing pressure is impacting demand of cotton and PC mélange. Mills predominantly producing cotton and its blends have shifted the production to other blend such as PV, PC, poly and viscose 100%. The dyed yarn order position is relatively better in medium and fine counts, but continuous support of various schemes by government has helped in enhancing competitive edge of textile value chain, which is giving us confidence that things will normalize in coming quarters. We see far more opportunities for yarn in times to come. Now I take Denim. In this business we had seen strong demand in Q4 and FY22 for denims across all markets. Quality of the LNJ denim is accepted by all top brands. We are happy to announce that our denim business has turned positive during the quarter and management is confident that we will continue to touch milestones with regard to sales numbers despite all challenges to deliver due to capacity constraints. Our order book on denim side continues to remain heavy. Q4FY22 quarter, sales for the quarter increased to Rs. 1,121 crores, up 34% on year-to-year basis. Our domestic and export turnover had increased 27% and 47% respectively, as compared to same quarter last year. EBITDA for the quarter stands at Rs. 142 crores, which is 5% higher as compared to the same quarter last year. Our PAT for the quarter stands to Rs. 110 crores, up by 51% as compared to the same quarter last year. Q4 FY22 witnessed upsurge in demand backed by a strong wedding season and upcoming school uniform season in Q1FY23. Now coming to full year performance. In FY22, RSWM has demonstrated solid execution and showcased the inherent strengths of its business model despite several challenges, strong demand, higher realization and better product mix, which has enabled us in posting our best ever results in FY22. We delivered highest ever sales in FY22 which stands at Rs. 3,817 crores, up 64% on a year-to-year basis. Export sales recorded for FY22 stands at Rs. 1,419 crores, up 88% on year-to-year basis. EBITDA for FY22 grew from Rs. 215 crores to Rs. 464 crores. PAT for FY22 stands at Rs. 240 crores versus Rs. 22 crores of FY21, higher by approximately 11 times. We have achieved substantial scale up in revenues barring expansion and profit growth in tough operating environment marked by continuing impacts of the global pandemic, geopolitical crisis, inflationary trends and supply chain bottlenecks. We expect the situation to normalize in coming quarters and remain focused on execution and agile to the market opportunities. We, at RSWM, are now ready to take a next leap of growth in our business. On the same line, our Board has approved additional Capex of Rs. 315 crores for expanding its spinning capacity at Lodha, Banswara unit by 51,000 spindles to cater higher demand. Capex announced in Q1FY22 of Rs. 410 crores in expansion of denim fabric, manufacturing capacity, cotton, mélange yarn, manufacturing capacity at Kharigram, Gulabpura and modernization and balancing equipment across all units and knitting units are progressing as per schedule. We expect an incremental contribution of around Rs. 650 to Rs. 700 crores going forward from this capacity addition. For our all shareholders who had supported us in all times, Board has recommended a dividend of Rs. 25 per equity share on face value of Rs. 10 each for the year ended 31st March 22, the same shall be paid subject to the approval of shareholders. Board

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has approved the right issue of share capital up to Rs. 250 crores, which will be used in repayment of long-term debt and augmentation of long-term working capital. With this, I would like to open floor for question and answer session now. Thank you so much.

**Moderator:** We will now begin the question and answer session. The first question is from the line of Niraj Mansingka from White Pine Investment Management. Please go ahead, sir.

**Niraj Mansingka:** Sir, just wanted to know why do you need to raise money via rights issue? Just wanted to know your thought on that.

**Avinash Bhargava:** This is for repayment of higher interest term loans and for long term working capital.

**Niraj Mansingka:** Sir, the reason I'm asking is like, you'd raise money from equity because your company's return on equity is much, much higher than the cost of debt. So, one, raising money from equity and repaying debt really doesn't make sense when the company is growing and it thinks about the opportunities in the future and then the return ratios also will improve. Number 2, you are also paying a dividend Rs. 25, almost Rs. 60 crores and shareholders will also pay tax on behalf of that. So, I don't understand logic that you're giving money on one hand and asking the shareholders to give taxes. On the other hand, you're raising money to pay the debt and long-term loan which cost of capital is much, much lower than the cost of equity. So, can you just elaborate how you're thinking on capital allocation?

**Avinash Bhargava:** We, as RSWM Ltd., is paying the dividend to the shareholders for rewarding for the investments of shareholders. And secondly, this right issue is also for rewarding our shareholders.

**Niraj Mansingka:** Sir, right issue doesn't reward the shareholders. Shareholders will have to give money and then the same amount of money gets distributed over larger equity. Frankly, this actually I think doesn't make sense at all to do such corporate action. And how do you think about the return on equity? Do you think that you would get lesser returns in longer term over the debt, then you're raising equity right now. So, any thoughts on that side as well.

**Avinash Bhargava:** Can you please repeat this question?

**Niraj Mansingka:** Sir, what happens is cost of equity generally is 14% on an average and when the company is doing extremely good, the return ratio that you're reporting is in excess of 20% in return of equity. Then raising money from equity to repay debt effectively is like taking money on a 20% and paying money of between 5% and 10%. So, sir, just wanted to know your thought that have you given a thought on that side or you just want to deleverage the balance sheet.

**Avinash Bhargava:** This is to strengthen the balance sheet also. Our debt-equity ratio and fixed asset coverage ratio and DSCR and all will improve after this infusion.

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- Niraj Mansingka:** Sir, I thought your company's cash flows are so strong, that you can easily repay all the debt and also continue to do your growth activities. I just thought on the way the performance is coming up.
- Avinash Bhargava:** Yes, definitely. Cash flows of the company are very strong.
- Niraj Mansingka:** So, then it doesn't make sense to raise rights issue at all, right, and pay higher dividend because ultimately the same shareholders are giving money to you from one pocket and in the other pocket, they're getting money and they're paying taxes.
- Avinash Bhargava:** Actually, we have planned certain capital expenditure for years to come. And every year, we will pay approximately Rs. 150 crores. So, with this right issue, we will repay the high-cost loans and would use this remaining loan for our long-term working capital requirement.
- Moderator:** Next question is from the line of Perna Jhunjunwala from Elara Capital. Please go ahead, sir.
- Perna Jhunjunwala:** Just wanted to understand the outlook for the year. You have done very strong. You're in FY22. What should we expect for FY 23 given the volatility in raw materials prices with strong cotton prices? So, obviously demand for blended is doing well. So, what kind of growth and margin should we expect for FY23?
- Avinash Bhargava:** You're talking about?
- Perna Jhunjunwala:** FY23, any guidance that you would like to give on top line growth or margin.
- Avinash Bhargava:** If the current prices and profitability both will sustain on the level which we have as of now, we will have around Rs. 4,500 crores in next year. The EBITDA level of 11% - 12%.
- Perna Jhunjunwala:** And sir, could you help us understand the Capex progress across each of the segments that we had announced in FY22. Where they are? When can we expect, which quarter, which product we will be commissioning to understand how the year will progress for you in terms of new capacity?
- Avinash Bhargava:** We had launched four Capex last year. First was this mélange at Kharigram, 30,000 spindles, then denim sheet dyeing plant at Mordi and some 20,000 spindles of denim at Mordi, knitting plants and around Rs. 50 crores plant for balancing of equipments across all plants. So, we have completed this Rs. 50 crores capital expenditure in 31st March as we planned, and this denim sheet dyeing we had completed on target days. Regarding this Denim spinning, Mélange and Knitting, we expect that these will be completed by 30th of June '22. They are delayed by around 90 days just because of delays in electronic equipment, spare and delayed delivery of machines, which has happened in recent days from Germany we have imported some

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machines but software's have not been supplied by them. So, without these software's, we cannot start these machines. That's why there is a delay of 90 days, but it is well in control.

**Perna Jhunjunwala:** So, knitting project cost is of Rs. 80 crores and Rs. 50 crores will be operational by 30th July, I didn't understand that portion?

**Avinash Bhargava:** These will start operations in Q2 of this FY23.

**Perna Jhunjunwala:** The knitting plant will actually start in second quarter, okay. And so, the Capex that you announced this quarter of around 51,000 spindles, that will begin when?

**Avinash Bhargava:** The expansion program has already been announced for this. We have ordered, we have opened ILCs for import of machinery. This Capex is cost is Rs. 315 crores and hopefully this will be completed by 30th of September FY23. Hedging all risk of delivery of this machine, we will complete it by 30th of September '23.

**Perna Jhunjunwala:** So, next year?

**Avinash Bhargava:** H2 of FY23, this will be operational.

**Perna Jhunjunwala:** Sir, my last question is on PLI scheme. You applied for a type 1 scheme of PLI. Could you help us understand what are the products that you are going to cater there? And that's very interesting and we were positively surprised on these expansion plan because PLI schemes were new. Sir, just wanted some details on what kind of product line are you looking at and when will those products get established into sales?

**Avinash Bhargava:** Perna, there are certain things which are into consideration and a lot of things have to come from the government side also. So, about PLI, we have not firmed up anything as of now. But yes, there are certain things which will take place in coming days.

**Moderator:** The next is from Abhilasha D. Satale from Monarch. Please go ahead.

**Abhilasha Satale:** So, I have a couple of questions in regards, to the overall margin of the company. So, this quarter, our gross margin is in the range of 41%, which has gone down from the 46%. So, I understand now the new raw material cost has kicked in and because of that, we are witnessing reduced freight. So, how much of the rise we have already passed on to the customers and what do we expect our gross margin to plan out over a period of time like say in the second quarter or in H2 if you give us some highlights in terms of what do you think the spreads are likely to be?

**Avinash Bhargava:** You can see that the margins will not be as good as these were in Q4 of 21-22. But yes, in Q1FY23, this will be satisfactory on margins. As far as spread is concerned this will be reduced

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because of higher raw material cost. There is a pressure on prices because of increasing raw material cost.

**Abhilasha Satale:** So, in Q1, we will see gross margin further going down from this 41%?

**Avinash Bhargava:** If the current level of prices of raw material as well as this sales price will continue, it will be satisfactory but it will be not be able to recover the sale prices even after reducing the sale prices, then this will go down obviously.

**Abhilasha Satale:** Sir, can you say some price levels, what were they in the Q4 and what are they like in terms of finished goods and raw material? What was the average price in Q4 FY22 and what are they currently?

**Avinash Bhargava:** Are you asking for this average sales realization?

**Abhilasha Satale:** Yes, right. average sales realization and raw material price.

**Avinash Bhargava:** We'll talk about these separately. Let me discuss this about raw material prices and when compared with cotton only, first we will compare the cotton, it's prices from April '21 to April '22, which is almost higher than the 100%. So, the prices of cotton is increased. If we talk about cotton are Rs. 43,000 per candy, now it is Rs. 86,000 per candy or you can say Rs. 90,000 per candy for particular type of cotton. If we will ask about this Shankar-6 type of cotton, it was Rs. 48,000 per candy; now it is 98,000 per candy. So, increase is more than 100% in cotton prices. If we will compare this cotton price from April 2020, 2021 and 2022, per kg of raw material price is I would like to mention, cotton prices in April '20, it was Rs. 111 per kg and then in April '21, it was Rs. 133 per kg. Now it is Rs. 241 per kg of raw material prices. If you talk about PSF per kg, it was Rs. 72 per kg in April '20; April '21, it was Rs. 94 per kg; and then in April '22, it is Rs. 120 per kg. If you talk about VSF, it was Rs. 168 per kg in April '20, and then April '21, it was Rs. 171 per kg; and now it is Rs. 180 per kg. So, in case of VSF only, the price increase is not as much as in cotton and PSF.

**Abhilasha Satale:** Sir, and can you also tell the yarn prices, like cotton yarn as well as blended yarn for the similar period so that we will just gauge the spread.

**Avinash Bhargava:** Okay. Spread kind of things is different and vary from count to count and industry to industry. So, we cannot discuss about the spread. We can discuss about EBITDA, business wise EBITDA we can discuss. And being confidential data from industry to industry, we cannot discuss this spread here. We can discuss it later on.

**Abhilasha Satale:** So, sir, we have done around 12% margin in the current year and the Q4 margin was higher last year and this year it is in the range of 12.5% or so. So, going forward for FY23, what kind of



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EBITDA margin is sustainable according to you because now the raw material price has also changed and some part of it we have passed on to the customers.

**Avinash Bhargava:** If we will discuss about segmental EBITDA margin, in current year the EBITDA margin of yarn was around 14% and in case of mélange yarn it was about 18% to 19%. And if we will talk about entire RSWM, it was about 12%. Given the prices of raw material and sales price, if these are sustainable we will be able to maintain this 12% in coming year also

**Abhilasha Satale:** And just regarding the Capex part, how much Capex like we have planned in FY23?

**Avinash Bhargava:** FY23, we have planned Rs. 315 crores for 51,000 spindles plant at Lodha. The board has approved recently.

**Abhilasha Satale:** And how will it be funded?

**Avinash Bhargava:** This will be funded by term loans from the bankers.

**Abhilasha Satale:** Like there will be term loan and there will be some part which you will fund it through internal accruals. So, what is that ratio?

**Avinash Bhargava:** 80% to be funded and 20% will be through internal accruals

**Abhilasha Satale:** And sir, you said that through right issue you will reduce the debt which is a high-cost debt. So, how much it is and what is the cost of that debt in percentage terms.

**Avinash Bhargava:** That debt is around Rs. 170 crores to Rs. 180 crores, if all the processes of rights issue are completed well in time, this will be around Rs. 155 crores to Rs. 170 crores. If this will be delayed, maybe Rs. 160 crores, repayment of that high cost debt and it may be in the range of around 8% to 8.5%.

**Abhilasha Satale:** And then rest of the debt, either it is working capital or term loan which we will raise for the current expansion of Rs. 315 crores, then what is the cost of debt for that amount?

**Avinash Bhargava:** This is for about Rs. 7.25% to 7.5% without the state subsidy. And with the state subsidy they will be lesser.

**Abhilasha Satale:** So, 7.5% is without state subsidy. So, I mean bankers are giving loan at 7.5% in the current scenario to the textile firm maybe because of the good cash flows

**Avinash Bhargava:** Our loan cost is 7.5%.

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- Abhilasha Satale:** That's a very good rate bankers are offering to textile companies; I think it is one of the lowest which we would have had in the history. And with state subsidy, then it'll be in the range of I think 2.5%, right?
- Avinash Bhargava:** Yes, because we will be able to take the state subsidies only on the TUFs enabled machines, which remain for about 50% to 65% of the total cost of the project.
- Moderator:** Next question is from the line of Mr. Vikram Dalal from DAM Capital. Please go ahead.
- Vikram Dalal:** Sir, when you are telling your margins, yarn segment at 14% and mélange is 18%, 19%, why the corporate margin comes down to 12%? And what further steps you are taking to improve the margins between the corporate's margin and the yarn margin?
- Avinash Bhargava:** We sold our one brand Mayur, and in that there was a normal loss of around Rs. 9 crores and closure loss of around Rs. 9 crores, Rs. 18 crores loss was there in FY21-22. Because of that, it's close to 12%. Because this was negative and impacted the overall infra of the company.
- Vikram Dalal:** Given that this loss will not be there and our company will have a higher turnover because of new capacity additions, our margin should healthily improved, right, sir? Why you are guiding us it will fall down?
- Avinash Bhargava:** It may be more than 12%, but we have taken this 12% with very rationale right. It may be 12% to 14%, but from safer side, we are saying that it will be 12%.
- Vikram Dalal:** Sir, then with regard to turnover, currently you are doing Rs. 1,125 crores, if you annualize that itself will come to Rs. 4,500 crores. Then you've added Capex also. So, ideally this turnover should cross Rs. 5,000 crores, sir
- Avinash Bhargava:** Q4 was exceptionally very good very good because of higher price realization in case of cotton yarn and Rs. 3,817 crores turnover was at highest level of prices. If we maintain this same price of either PV, either viscose, either cotton or PC, any kind of yarn, if the prices are sustainable then this turnover will be Rs. 3,817 crores. And with these expansions of Rs. 410 crores, which are going to be completed in FY23 only, this will add around say Rs. 650 crores to Rs. 700 crores in next year. So, if the prices are sustainable, the top line will be Rs. 4,500 crores next year.
- Vikram Dalal:** Sir, going forward for a 3-5-year period, what is the growth rate you are targeting as a company, sir?
- Avinash Bhargava:** After 5 years, you can expect Rs. 5,500 - 6,000 crores top line.
- Vikram Dalal:** After 5 years, sir?

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- Avinash Bhargava:** After 5 years.
- Vikram Dalal:** Sir, then this is ordinary growth rate.
- Avinash Bhargava:** We have announced capital expenditures till 30th September '23. There are certain projects also which are in pipeline, we will update you in forthcoming investor call.
- Vikram Dalal:** Sir, this yarn project, which you have announced, how much turnover will be for there?
- Avinash Bhargava:** It will be around Rs. 500 crores.
- Moderator:** Next question is from the line of Mr. Pramod Jain from Rising Sun. Please go ahead.
- Pramod Jain:** I would like to understand the inventory levels and the order book situation, particularly because our understanding is a lot of mills in the south India have started closing down or facing issues because of the higher cost of raw materials. So, I would like to understand what is your order book situation and to what extent is the raw material covered?
- Avinash Bhargava:** Our sold position in dyed yarn is up to 15th of July or you can say 31st of July. In other yarns also more or less same position is there.
- Pramod Jain:** Do we have the orders for next 3 months, 4 months.
- Avinash Bhargava:** We have orders for next 3 months. I'm saying that till 31st July we have the orders.
- Pramod Jain:** Sir, I would like to continue with Mansingka said. Just looking at your numbers, your net debt is Rs. 1,100 crores, your net worth is around Rs. 1,000 crores. So, you have a debt to equity of 1.1, which is very comfortable kind of thing. And especially in textile where the rate of interest you said your high cost loan is around 8.5% and you want to repay 8.5%, which is very low in terms of cost of capital if you look at it. The point which I want to understand is your return on capital employed is 16%, return on equity is 27%, but delta is there because of the cost of debt which is relatively lower. Now you want to repay this debt. Obviously, your return on equity will fall down and you're paying the low-cost debt by taking high-cost equity. The rationale doesn't make sense because if we look at it, it's Rs. 1,000 crores company and you're raising Rs. 250 odd crores which is approximately 25% of new capital which will be issued. So, if the high amount of new capital issue which will happen and this will further bring down your return on equity. So, it will be detrimental to the shareholders, not actually benefit for the shareholders.
- Avinash Bhargava:** If you have that kind of question, we can explain you. You can write a separate mail to us.

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- Pramod Jain:** Because it is very difficult to digest the fact that why the right issue is taking place to repay the debt at around 8.5% rate of interest.
- Avinash Bhargava:** We will explain you the rationale about this separately. You can write a mail to us.
- Pramod Jain:** As a shareholder, I would have been very happy if the promoter would have put in money or a QIP would have taken place rather than a right issue at this kind of market situation. Anyway sir, we will write a separate mail to you and looking forward for your reply, sir.
- Moderator:** Next question is from the line of Mr. Raj Nahar for Mili Consultants. Please go ahead.
- Raj Nahar:** My first question is regarding the subsidy on the loan which you stated Rajasthan government is giving. So, on your Capex of Rs. 400 odd crores and Rs. 300 crores, are we entitled to get that 5% subsidy?
- Avinash Bhargava:** Yes.
- Raj Nahar:** So, you can raise the full amount whatever is needed by way of loan or there is requirement?
- Avinash Bhargava:** No, we can raise only up to 80%.
- Raj Nahar:** So, then the cost of borrowing comes down drastically because your net rate interest will be just 2.5% to 3.5%.
- Avinash Bhargava:** Yes. It will be around 3% - 3.5% only, rate of interest for this. Effective rate of interest will be this only.
- Raj Nahar:** So, that's a phenomenal thing actually for textile industry if you can get long term debt. And what is the duration of the debt basically? State government subsidy gives for how many years?
- Avinash Bhargava:** They have 2 kind of facilities in Rajasthan. I think your company is trying to get this special customized package. Without special customized package, the investment subsidy is 6% for 5 years. Your company is trying for either increasing rate of subsidy or increasing periods. Otherwise this is the minimum 6% for 5 years is okay for on these projects. This is all approved by government. We are trying for more.
- Raj Nahar:** And my second question is about your captive power plant, that is are you getting the coal from the linkage or from Coal India or you're buying or importing.
- Avinash Bhargava:** We are importing and buying. We are not able to get coal from Coal India.

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**Raj Nahar:** And you don't have the grid power because now the cost of raising power will above Rs. 15 or so.

**Avinash Bhargava:** As of now, we are buying the power from energy exchange

**Raj Nahar:** So, you are not operating all plants currently.

**Avinash Bhargava:** These power plants are operating partially

**Raj Nahar:** And you have some solar power also?

**Avinash Bhargava:** Yes, we have solar power plants also.

**Raj Nahar:** Like what is the megawatt or kilowatt you have.

**Avinash Bhargava:** We have 26.11 megawatt which is planned to 30 megawatt for the near future.

**Moderator:** The next question is from the line of Manish Dhariwal Barry was from Fiducia Capital Advisors Private Limited. Please go ahead.

**Manish Dhariwal:** Sir, in fact, we noticed that the company's performance is improving consistently on a quarter-on-quarter basis. And then the company is also consistently expanding, in fact, increasing Capex and seeing as to how they're positioned in the market, basically in clothes. The areas that the company has identified are like denim and the yarn which is the core strength of the company. My question basically is to understand that how is the competitive strength of the company increasing in this period so that the company's expansion programs do not hurt it when the cycle changes? Textile we know it is a cyclical industry. So, all the Capex that we do today, it also has to generate commensurate cash flows. Now, I can understand that the way to protect the company, you are looking at raising equity money. But sir, raising equity money has its own cost. So, my basic question is to understand the competitive strength that the company has developed so that it is capable to handle the downturn, which will surely come?

**Avinash Bhargava:** Your question is very right. We have internal risk sensitivity analysis system within the company and we review all management decisions periodically and you can rest assured whatever expansion programs, all kinds of risk mitigation plans are there in place because RSWM is known to be a very vast product mix type of company. They can produce any kind of blend, any kind of yarn. So, we have the capacity to shift from one product to another product within the yarn. Based on that, we do shift this production or product based on the demand of that particular product. Let us take one example of this cotton demand and cotton yarn prices, at some of the locations we have a started PC, which has got demand in the market. And at the same time, we have the dyeing facilities at different locations. And whenever this demand of gray yarn will get reduced, we focus on this dyed yarn whenever this dyed yarn demand is

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lower, then we can start generating the profits from grey yarn. So, there is no risk in RSWM as we understand.

**Manish Dhariwal:**

Sir, just to bring it forward. Now sir, Mayur Suiting and Mayur branded product and then if you also have the related garmenting business as well, now that was also a very, very strong business and it was one of the leading brands in the county. However, we actually find that the company actually has incurred a loss upon sale. One is that you sell and you make money, like which is a good idea. But then we actually got rid of the brand literally and paid also. So, see, we've had that kind of a situation once, right? Now, denim is a business which a lot of companies have tried and they've not made money. It has actually become lower than commoditized. You have a company like Raymond and you have so many south based companies and like we ourselves, we've also had a tough time. Now, you are further putting money in this and sir, what we are doing is that now, if I just look at the financials for this year, sir, our PAT for financial year '22 has been Rs. 239 crores post depreciation of Rs. 113 crores. So, which takes us to about Rs. 350 crores plus. So, Rs. 350 crores is a net profit that you're going to be making this year. And our total Capex is also about Rs. 750 crores. Now in this scenario, sir, again investors and analysts have said that this is diluting equity and that too also a significant level. To basically strengthen the company, sir, may not be the most judicious of the idea. So, I would also impress that the company should basically relook at whole structure and the plan that is made and we believe that given the way this company in this cycle, so far it is likely generating very, very good profitability. Sir, we should basically conserve our equity capital and build on it. So, that is what is my limited point would be.

**Avinash Bhargava:**

In fact, I could not get your question. You may write on email ID and I will answer.

**Moderator:**

As there are no questions, I would now like to hand the conference over to Mr. Avinash Bhargava from RSWM Ltd. for closing comments. Please go ahead.

**Avinash Bhargava:**

Thank you so much, all of the investors on the concall and our company is very hopeful to get better performance in FY23. Whosoever could not raise the question on this con call, may write to my email ID which is well there in on investors presentation site. Thank you all.

**Moderator:**

Thank you. On behalf of RSWM Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

(This document has been edited for readability purposes.)

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For further queries: Email: [cfo.rswm@lnjbhilwara.com](mailto:cfo.rswm@lnjbhilwara.com)  
Registered Office: Kharigram, P.B No.28, P.O Gulabpura- 311 021, Distt. Bhilwara Rajasthan  
Website: <https://www.rswm.in>  
CIN: L17115RJ1960PLC008216

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