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Date: January 29, 2021

To,
The General Manager,
Department of Corporate Services,
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Fort Mumbai - 400 001

Ref: Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Sub: Transcript of the Conference Call held on January 22,2021

Ref: Scrip Code: 505590

Dear Sir/ Madam,

With reference to our letter dated January 18, 2021, intimating you about the conference call with Analyst/Investor held on January 22, 2021, please find attached the transcript of the aforesaid conference call.

This is for your information and dissemination on your website.

Thanking you,

Yours faithfully,
For SVP Global Ventures Limited

Digitally signed
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SHELLEY
Date: 2021.01.29
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Praveen Shelley
DIN: 01922237
Director

Encl: As above



“SVP Global Ventures Limited Q3 FY 2021 Earnings
Conference Call”

January 22, 2021



**MANAGEMENT: MAJOR GENERAL O.P. GULIA – PRESIDENT, SVP GLOBAL
VENTURES LIMITED
MR. PRAKASH SARAOGI – EXECUTIVE VICE PRESIDENT,
SVP GLOBAL VENTURES**

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 and 9M FY 2021 Earnings Conference Call of SVP Global Ventures Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Major General O.P. Gulia, President of SVP Global Ventures Limited. Thank you. And over to you, sir.

O.P. Gulia: Hello, everyone. Good evening to you. First and foremost, I hope you all are safe and healthy. Today on the call, I am joined by Mr. Prakash Saraogi, Executive Vice President for SVP Global Ventures Limited and Oriental Capital, our investor relation partners. We have uploaded our Investor Deck and Results Highlights on the stock exchanges and company website. I hope everybody had an opportunity to go through the same.

Since we are doing the quarterly earnings call after a long time, I would like to share a brief overview about SVP Global, its journey so far and growth strategies going forward. This would be followed by operational and financial performance for the quarter and nine months ended financial year 2021. Post that, we will open the floor for question and answers.

SVP Global Ventures Limited is the fastest growing Indian multinational in cotton yarn manufacturing business. SVP is also India's leading manufacturer of compact cotton yarn.

Over the years, we have evolved from a yarn trading company into manufacturing of highest quality of value-added compact cotton yarn, an Indian MNC. We carry a legacy of more than 100 years in textile business and over 200 years of combined experience of promoters and management in textile business. Today, with experienced Board of Directors and strong management team, SVP is India's largest manufacturer of compact cotton yarn in the world.

We started our manufacturing journey with one plant in Ramnad, Tamil Nadu, to having multiple plants across India, and now have extended our footprints globally with manufacturing unit in Oman as well.

Now, I will brief you about our three plants, first our Ramnad plant in Tamil Nadu. We have yarn manufacturing capacity of 98,000 spindles in Ramnad, Tamil Nadu. This facility was acquired during 2007 and 2010 and manufactures various types of cotton and cotton blended yarn, primarily to cater for Indian domestic demand. Our current business strategy is focused on exiting out of low margin, traditional yarn business and build capacities and capabilities in high margin

compact cotton yarn. Accordingly, we are gradually reducing Tamil Nadu operations while simultaneously increasing our operations in Oman. This has resulted in significant improvement in EBITDA margins with stable top-line.

Quick brief about our Jhalawar plant, we have state of art manufacturing facility at Jhalawar in Rajasthan, with an installed capacity of 150,000 spindles and 2,400 rotors, which has been commissioned in a record time of nine months. Jhalawar has certain advantages like

- the plant has manufacturing capabilities of high quality compact yarn from count 20 to 60, along with open and blended yarn.
- Jhalawar is in the proximity of cotton and yarn hub of Madhya Pradesh, Gujarat and Maharashtra, which enables efficient raw material procurement.
- Strategically located at a distance of 5 kilometers from city Centre, 12 kilometers from Jhalawar airstrip, 2 kilometers from Railway Station, enables easy access to logistics and supply chain from the plant.
- We also have easy availability of skilled manpower and other utilities for efficiency in operations.
- We have multiple state and central level subsidies to support our operations in Rajasthan.

A brief about Oman project. SVP is also establishing a new \$300 million project in Sohar Free Zone in Oman, to manufacture wide range of cotton yarn and expanding its global footprint and exports. This project has been divided in two phases, with phase one entailing a capex of about US\$150 million. It is already operational with 150,000 spindles and 3,500 rotors since 2019. We are expecting the phase one Oman capacity to be scaled up fully by March 2021. We are further proposing phase two expansion with projected capex of US\$150 million to add an equivalent capacity which is existing as of today by the end of financial year 2022. Phase 2 expansion is proposed to be financed by debt security of 70%, that is US\$105 million in terms of debt and 30% that is approx. US\$45 million by equity. The working capital requirement for phase two will be US\$32 million in funded facilities.

Oman project is one of our prestigious projects with first ever major cotton spinning unit in the entire GCC region to promote and develop textile cluster in Oman. It has exclusive state of the art infrastructure, equipped with latest and most modern technology from blow room to winding. We have logistical and operational efficiencies arising from operations at Sohar Free Zone, and will act as global trade route between Asia and Europe. This will enable easy access to markets like Turkey and Pakistan, which were not accessible from India easily, currently due to trade barriers and political relations. Our operations are built on lean manufacturing and Industry 4.0 practices housing the most automated machines with artificial intelligence and IoT capabilities. Our Oman project is a green project with no smoke affluent or wastages, and has a very safe and clean environment.

Let me highlight the few strategic benefits of Oman and our plan to setting up the plant there.

- It has the proximity to the port for ease of exports.
- It is a tax free zone.
- Oman has an FTA with the United States.
- We have various subsidies for power and borrowing cost,
- Strategically located with low logistics cost from port to factory,
- Allotted land at a very competitive value.

A word about our technology and quality edge. Our plants in India and Oman are equipped with most modern technology from blow room to winding, with machinery sourced from Europe and India. We are proud to be in the 2% of the manufacturers of the world having technology which is less than five years old. Rest 98% of the yarn manufacturers are using technology which is aged more than five years. The state of the art machinery is with latest technology use of artificial intelligence to enable the company to manufacture yarn of highest quality at optimal operational efficiency and result in higher operating margins in relation to traditional yarn.

With humble pride, I would like to highlight that we are an approved supplier for IKEA, one of the largest retailer of furniture and home accessories in the world. The very prestigious registration is testament to the company's products, materials and services, adhering to minimum environmental, social and working conditions requirement. Registration would allow other members supplying to IKEA to source their yarn requirement from the company.

We also have various registrations and certification from renowned bodies across the globe, including Global Organic Textile Standard and Organic Content Standard, which signifies that we adhere to the highest quality standard of practice.

Our ECG and CSR, As a responsible corporate, we are committed towards the ECG norms and have installed a 5.4 megawatt solar power plant to curb the release of CO2. Estimated power generation from there would be approximately 86.1 lakh units per year, which will enable reduction of CO2 emissions for approximately 7,317 tonnes of emissions. All our plants our non-hazardous, orange category plant declared by pollution department.

As our responsibility towards CSR, we have created direct employment to over 4,000 people across India and Oman, with women empowerment at the Centre. We have generated employment for over 1,000 Omani women in phase one. We also have provided job to over 250 in these difficult COVID-19 pandemic times during lockdown to support their household.

Over the years, we have transformed ourselves from a trading company to a highest quality manufacturing company with continuous focus on improving profitability with each project. We have even let go some of our low margin businesses, which had an impact on our revenues, just to be focused on high margin profitable business. We have expanded our manufacturing footprint

to India and abroad, with the latest technology on the block. We have shifted our product mix from traditional yarn into high margin compact cotton yarn, thus expanding EBITDA margin from 3.7% in FY 2016 to 13.2% in financial year 2020, an increase of 950 bps.

Going forward, we would like to hive-off our non-core assets and monetize the same for debt deduction. Release of working capital which will entail lean balance sheet and operations, also expand into garmenting segment. Our near-term plan is to be an integrated textile garment manufacturer present across the entire value chain.

I will now hand over to Mr. Prakash to take you through the financial and operational highlights.

Prakash Saraogi:

Thank you, Guliaji. Good evening, everyone and a warm welcome to our earnings call. I will take you through the financial highlights, post which we will open the floor for question and answers.

In terms of revenue, ease in the restrictions of lockdown and opening up of economy, leading to a steady recovery across markets, and textile is no exception to that. We witnessed a strong demand revival across the yarn market and the volumes are at pre-COVID levels, and we are optimistic of growth in the quarters to come. Our consolidated revenue for Q3 and FY 2021 stood at Rs. 371 crores as against Rs. 386 crores in Q3 FY 2020, a marginal dip of 4%. Our revenues for nine months FY 2021 stood at Rs. 826 crores as against Rs. 1,059 crores in nine months FY 2020.

Due to the pandemic and lockdown across the country in the first half of the financial year, the figures are not comparable for nine months of FY 2021. Revenue mix from traditional yarn and compact yarn was 16% and 84% respectively, for nine months FY 2021 as compared to 25% and 75% for FY 2020. We continue to focus on high margin compact cotton yarn manufacturing. Our capacity utilization for Q3 FY 2021 were more than 95% for the installed an operational capacity for our facilities in India and Oman. With healthy order books and growth opportunities in front of us, we are optimistic of revenue and profitability growth going forward.

On the EBITDA front, change in product mix towards higher margin products, cost rationalization initiatives and operational efficiency led to significant margin expansion for this quarter. For Q3 FY 2021, our EBITDA stood at Rs. 76 crores as against Rs. 49 crores in Q3 FY 2020, a growth of 55% on a year-over-year basis. EBITDA margins for Q3 FY 2021 stood at 20.6% as compared to 12.8% in Q3 FY 2020, a significant jump of 780 basis points. Our nine months FY 2021 EBITDA stood at Rs. 116 crores with EBITDA margin of 14%.

On the PAT front, for the Q3 FY 2021, our consolidated profit after tax stood at Rs. 33 crores as compared to Rs. 25 crores in Q3 FY 2020, a growth of 35% on year-over-year basis. Our PAT margin for the quarter stood at 9%, an improvement of 260 basis points over the same period last year.

On 21st January, 2021, our Board considered and approved preferential issue of warrants convertible into equity shares aggregating Rs. 235 crores to one of the promoter group entity, subject to approval of the members of the company. The proceeds of the warrant can be used to repay debt, thereby strengthening the financial structure of the company and for other general corporate purposes as permitted by applicable laws.

With this, I open the floor for discussion.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from the line of Tanay Shah from TS Associates. Please go ahead.

Tanay Shah: Sir, I have few questions. So first of all, will the company have any benefits from the PLI scheme for textile?

Prakash Saraogi : Yes. So, the government has recently announced this performance linked incentive schemes , we are more into the spinning sector and with larger capacities. So, we wouldn't say it is directly applicable to us, but yes, that would enhance the investment into the downstream chain in terms of the garmenting industry, in terms of technical textile manufacturing and things like that. So, we see that to enhance the demand for yarn as well.

Tanay Shah: Okay, fair enough. Further, any comments on what will be the margin differential from the traditional yarn and compact yarn?

Prakash Saraogi: Yes. So, historically, we have experienced about margins difference of between 6% to 8%, between traditional yarn manufacturing and compact yarn manufacturing.

Tanay Shah: And sir, I would just like to have an idea about what will be the net debt of the company as on December 2020? And also, apart from the preferential allotment that we spoke about, any other debt reduction plan for this year and next year?

Prakash Saraogi: Okay, I will take your first question first. So, coming to the debt as of December 2020. So as of 31st December, 2020, we had an overall debt of around Rs. 2,300 crores. Out of this, our secured debt is around Rs. 1,770 crores. So, for this debt, our borrowing cost is relatively lower, because of various state and central subsidies which are applicable to our project in Rajasthan. And for Oman we have a relatively lower borrowing cost, relative to India.

Tanay Shah: And sir, any debt reduction plans for this year and coming year?

Prakash Saraogi: Yes. So, the company is focusing on overall debt reduction, and is taking steps in this regard. So, one of this is, of course, our preferential issue of warrants, , the proceeds end-use of which is also to reduce debt.

Tanay Shah: So, nothing major apart from that, as in nothing concrete apart from that, right?

- Prakash Saraogi:** Yes, this is immediately which is visible, but the company has plans to reduce debt over the next one to two years.
- Moderator:** Thank you. The next question is from the line of Ankit Kothari from HBK & Associates. Please go ahead.
- Ankit Kothari:** My first question is, can you elaborate on the strategy of why we have expanded our capacities in Oman? Though you have mentioned it pretty well in the presentation, still can you elaborate on what are the salient features and what will be our growth strategy?
- O.P. Gulia:** See, as we said, firstly, we are modernizing our plants. So the Jhalawar was first such plant which was modernized, then we shifted to the Oman. Oman gave us a lot of advantages. The first is the location itself. It's strategically located in geopolitics sphere. It connects Europe, even America and this side Asia. So it's a central point from where all the trade takes part. As I said earlier, certain countries which were not reachable from here for exports are easily accessible from Oman. Also, the manufacturing costs and the operational costs are lesser out there, the land we have got at a very competitive prices. The power tariffs are almost half than what we get it in India. And the labour and other incentives which the country has given, it has given us access to other GCC countries as well, the market out there, since there were no textile manufacturing companies out there. So all these five, six put together have given us tremendous advantage to go there and expand our footprint across the globe.
- Ankit Kothari:** Okay. Moving on to my next question, can you also speak on the margin expansion and product mix? What are the major drivers for margin expansion and what are the technological edge over other peers?
- Prakash Saraogi:** Yes. First of all, let me tell you that over the last few years, we have moved from traditional yarn manufacturing to compact yarn manufacturing, so that is what is the change in the product mix what we have had. In 2017, we had a high proportion of our revenue coming from traditional yarn, and now it's just the opposite. , if I give you the figures for the last nine months, we have done 16% in traditional yarn and 84% in compact yarn, relative to 17% of compact yarn and 83% of traditional yarn in 2016-2017. So, that is one big change in the product mix what we are having. Due to this, if you see, that has had a positive impact on our EBITDA margins, which is actually, if you see in 2017, our EBITDA margin was 6.1% back then and today for FY 2020 it is 13.2%. So that is a rise in 710 basis points.
- O.P. Gulia:** The technological edge which you asked is that, the new machinery which gives us which is applying this artificial intelligence, it has reduced the labour cost tremendously, the power consumption is much lesser than the traditional machines and traditional yarn manufacturing. Also, the quality which it produces is much superior than the traditional yarn. And the wastage of the cotton, the cotton wastage has reduced tremendously. So, all these three, four things put together, and use of AI, has given us tremendous edge in getting us operational cost advantage.

- Ankit Kothari:** Thank you. The last question from my side is, Oman will cater the Indian markets or it will be a major export hub for the company, then we will have margin expansion and controlled debt going forward?
- Prakash Saraogi:** Yes. So, currently we are focusing our Indian operations to cater to domestic demand and Oman, is 100% export oriented unit. So, we are catering to the international market through Oman because, as Mr. Guliaji spoke about, of the various logistical efficiencies we have there, which considerably reduces the lead time in reaching out to end user markets.
- Moderator:** Thank you. The next question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.
- Giriraj Daga:** So, a couple of questions for my side. Can you give me the breakup of nine month revenue with respect to Oman, Jhalawar plant and your first plant at Ramnad?
- Prakash Saraogi:** Currently, we are speaking more on a consolidated line, so I think now if we speak about our Rajasthan plant, it is fully operational, so the revenue is fully reflected there. And similarly for our Oman operations, we are expecting full scale up of operations by FY 2021. So, you know that the normal revenues in this industry is 1x to the CAPEX. In Oman, we are having a CAPEX of around Rs. 1,000 crores, that is US\$150 million for phase one.
- Giriraj Daga:** No, I know, but just want to understand how much like nine months revenue we have from Oman.
- Prakash Saraogi:** I think we can take that details offline later on.
- Giriraj Daga:** I will tell you where I am coming from. If I look at revenue picture, so earlier I understand we used to do trading also, and that's why we had revenue of Rs. 1,700 crores, Rs. 1,800 crores, which touched Rs. 2,500 crores in March 2018. But when I look at that last number, we are doing a run rate of Rs. 370 crores, Rs. 380 crores. So, what is the situation there, like how much trading has been stopped now and have you stopped trading completely now or are we doing trading still? And so that is why I want to understand the revenue segment wise.
- Prakash Saraogi:** Yes. So, trading definitely we have reduced over the years, whether in Oman or India. And in terms of the yarn manufacturing, relative to whatever CAPEX we have already incurred in Oman for phase one, US\$150 million which was what I talked about, so we are looking at another Rs. 200 crores to Rs. 300 crores of growth in the revenue basically, which will be for the CAPEX we have already incurred in Oman.
- Giriraj Daga:** Okay. Have you commissioned the Oman unit?
- Prakash Saraogi:** Yes, so we have started commercial production from Oman. For the rotors unit that's already installed and running at more than 95% capacity. And on the spindles unit we started in October

2019. And then the scale up is in process and due to this COVID-19 there has been a slight delay in terms of full scale up, but we are expecting that to be completed by March 2021.

Giriraj Daga: And phase two CAPEX, we are expecting in Phase two complete CAPEX right, Rs. 1,000 crores?

Prakash Saraogi: Yes. Phase two is additional \$150 million project which is basically just a replica of phase one what we have already completed. Phase two CAPEX we are expecting to be incurred by, say, end of 2022 financial year, that is during FY 2021-2022,

Giriraj Daga: So, we have started CAPEX on phase two or we will start only in the month of ensuing month down the line.

Prakash Saraogi: So, we have we have a proposed CAPEX during FY 2021-2022 for phase two, that's \$150 million.

Giriraj Daga: Okay. So, the CWIP of Rs. 700 crores, it is pertaining to what as of September balance sheet?

Prakash Saraogi: So, in September balance sheet what we are showing, that is relative to Oman phase one what we have already started, that is reflecting the revenue there. Sorry, can you repeat your question?

Giriraj Daga: So CWIP we had a Rs. 700 crores number as on September 2020 and Oman had already commissioned last year.

Prakash Saraogi: Yes, that is pertaining to phase one, Oman phase one.

Giriraj Daga: But spindles have already commissioned last year, right, October 2019?

Prakash Saraogi: See, rotors we have already started, and spindles we are in the process of scaling up gradually.

Giriraj Daga: What is the debt number you mentioned? I missed that number.

Prakash Saraogi: So as of 31st December, we have Rs. 2,300 crores of debt, which includes around Rs. 1,770 crores of secured debt out of that.

Giriraj Daga: Okay. This is including all, long-term and short-term?

O.P. Gulia: This is everything, Rs. 2,300 crores is including your long-term debt, short-term debt, secured debt and unsecured debt.

Moderator: Thank you. The next question is from the line of Manan Mehta from MM Securities. Please go ahead.

- Manan Mehta:** Sir, just two questions. Sir, one is regarding just a follow-up of the last question. So the debt that we have, so you are currently raising warrants, so the funds that will be raised, would that be used to reduce debt or for some kind of expansion?
- Prakash Saraogi:** Yes., we have specified that one of the uses could be reduction in debt. And also, it could also be used for funding our new CAPEX overseas.
- Manan Mehta:** Okay. So it still hasn't been confirmed yet?
- Prakash Saraogi:** Yes. So, as per whatever our board has approved, we have approved these purpose and for any other general corporate purpose, but the strategy of the company moving forward is to reduce the debt.
- Manan Mehta:** Okay. And sir, one more question is regarding our garmenting segment. So, what are our targets for that segment? And which is the product segment that we will look to enter into?
- Prakash Saraogi:** Yes. So, we have a proposed garmenting project in Oman right now. And basically, the idea is to become an integrated Textile manufacturing company. And that is the reason why we have gone to the garmenting segment. So basically, this will be more on the apparel side, in terms of readymade shirts, and other apparels which is used in the local markets there in Oman, and also for the European and U.S. markets.
- Moderator:** Thank you. The next question is from the line of Chirag Mehta from Chirag A. Mehta & Co. Please go ahead.
- Chirag Mehta:** So, I had privilege in visiting your plant in Oman. So, I just had one query that, like when I saw the plant, I could see that you have opened a learning Centre where we are training Omani ladies and young boys for their employment purpose and all that. So my only question is, like right now we may be paying them stipends and all that, so maybe our human resource cost maybe a little bit lesser. But once they are on the payroll of the company, what will be impact on EBITDA and overall financial profitability of the company? Because, they have minimum wages to be paid, they pay higher than what is paid to expatriate. So, I would like to know what will be the impact of that, because I understand that there are approximately 300, 400 Omanis we are being training there. And of which, I understand that most of them has to be absorbed in the job, based on the training program and the funding which the government is doing for training. So can you throw light on that?
- Prakash Saraogi:** Sure. So basically, we have established a world class training Centre there at the Sohar plant, and we have taken a target to train empower, and give guaranteed job employment to these 1,000 Omani women. Now, in relation to the cost for absorbing these employees, we have already factored it in our project assumptions. The project report was developed by ITCOT Consultancy and the assumptions were further validated by PwC. So, we have already taken the costs into our assumptions. So that's already considered.

- Chirag Mehta:** Okay. And I would like to just abbreviate that I have visited the plant and I would really say that it is a very world-class plant, superbly managed plant and very organized, I was very impressed with that. And best of luck to the company.
- O.P. Gulia:** Thank you so much. And this initiative of training these women is also a unique initiative, because this skill required is not so high. So we said, Okay, give us the women who are not so well educated, so even the person who is a little less skilled and less educated can get employment out of this plant. So this has become very popular in Oman.
- Chirag Mehta:** Yes, I completely agree with that because I have been associated with a couple of the government organization there, and really the efforts by the company has been very well appreciated, because the Oman government really wants some companies basically from India or anywhere to help them employ their own local resources as well as train them, educate them. And as you rightly said, I could also understand from there that lot of Omani women we have employed are not very highly literate, but still they are very happy because I spoke to a couple of them and they were also very happy about the company's initiative. And that is why government and everybody is giving their support to the company, and I could see lot of export arrangement, everything going very well there. I was very, very impressed and being an Indian I was very proud that such an Indian company has made a mark for themselves. So I was very, very happy.
- O.P. Gulia:** Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen, that will be the last question for today. I now hand the conference over to Major General O.P. Gulia for closing comments. Thank you and over to you, sir.
- O.P. Gulia:** Ladies and gentlemen, thank you so much for attending the conference. We enjoyed presenting our results to you and it was a pleasure to take on the questions and I hope we could answer you to your satisfaction. And if there are any more questions or some of which we could not answer, we will be glad to go offline and respond to you with the questions.
- With the growth opportunities we foresee on domestic and export front, we believe we are all positioned to capitalize on this opportunity. Once again, I thank everyone for joining us. Thank you so much.
- Prakash Saraogi:** Thank you.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of SVP Global Ventures Limited, that concludes today's call. Thank you all for joining us. And you may now disconnect your lines.