



## SHIVA TEXYARN LIMITED

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5<sup>th</sup> July 2021

To

BSE Limited Floor 25 PhirozeJeejeebhoy Towers Dalal Street Mumbai 400 001  <b>Scrip Code :- 511108</b>	The Manager Listing Department National Stock Exchange of India Limited "Exchange Plaza", Bandra-Kurla Complex Bandra (East), Mumbai 400 051  <b>Scrip Code : SHIVATEX</b>
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Dear Sir,

**SUB:- TRANSCRIPT OF THE MAIDEN EARNINGS CONFERENCE CALL - REG.**

We are attaching herewith the transcript of the Maiden Earnings Conference Call held on Monday, 28<sup>th</sup> June 2021. This information is furnished as per Regulation 30 read with Part A of Schedule III of the of SEBI (Listing Obligations and Disclosure Requirements), Regulation 2015.

Pursuant to Regulation 46(2)(o) of the Listing Regulations, the aforesaid information is also available on the website of the Company [www.shivatex.in](http://www.shivatex.in).

Thanking you

Yours faithfully

For **SHIVA TEXYARN LIMITED**

**R SRINIVASAN**

**COMPANY SECRETARY**



“Shiva Texyarn Limited Q4 & FY'21 Earnings Conference  
Call”

**June 28, 2021**



**MANAGEMENT: DR. S K SUNDARARAMAN – MANAGING DIRECTOR,  
SHIVA TEXYARN LIMITED  
MR. C. KRISHNAKUMAR – CHIEF FINANCIAL OFFICER,  
SHIVA TEXYARN LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Shiva Texyarn Limited Q4 & FY'21 Earnings Conference Call. 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 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 Dr. S K Sundararaman, Managing Director from Shiva Texyarn Limited. Thank you, and over to you, sir.

**Dr. S K Sundararaman:** Thank you. Good afternoon, everyone. I would like to wish you all a very warm welcome to Shiva Texyarn Limited's Earnings Conference Call for the audited fourth quarter and the financial year ended 31<sup>st</sup> March 2021.

Firstly, let me express my gratitude to all of you for taking the time to join us today. This is our maiden earnings conference call. On the call with me today is Mr. Krishnakumar, our Chief Financial Officer and Bridge IR, our Investor Relations team.

Since this is our first call, I would like to share some Brief Insights and Recent Developments about our company before we get into business and financial performance for the year. As you are all aware, for most of the last financial year, COVID-19 pandemic has brought the whole supply chain and the entire economies to a staggering halt; it has impacted every aspect of our lives from personal lifestyle to business and the industry worldwide. Like every other business, Shiva Texyarn was also impacted by the various lockdowns to curb the virus outbreak. Even as industries reopen gradually, operations only began with partial capacities. In fact, even now, as the second wave rages on, we are operating at about 50% workforce only. However, in crisis lies opportunities and in this crisis time, we have the opportunity to step up and help our government and fellow citizens in the fight against the pandemic.

I am happy to say that we were among the first companies in India to be certified with SITRA for manufacturing of PPE Fabrics and PPE Protective Coveralls for medical use by the government. The government procurement agency, HLL which was tasked with getting coveralls for the pandemic, placed orders with us for significant quantities, and for a period of time we were among the top two or three manufacturers on a daily basis putting this product out into the market.

Additionally, we also launched a range of innovative face masks for consumers of N95 and similar grade. And these products are still relevant to the current ongoing situation where we leverage our technical capacities to give what I would say is a world-class product.

In a similar context, in June 2020, we had collaborated with HeiQ Materials, a Swiss company, specializes in chemical innovation to make antiviral fabrics for the first time in India, certified on international standard called as ISO 18184 and which we launch under the brand MEDIC

VIROSTAT to a rousing response from across the country. I share this just to give an insight into the kind of technical innovation that we are able to bring around in a quick time in a diverse range of textile-related products.

Another important aspect of our portfolio is the product we supply to the Indian Army. During this year, we have won two tenders from the Ministry of Defense; one for a 70-ltrs RUCKSACK bags which is used in high altitude areas, the other for NBC HAVERSACK bags, worth Rs.13.62 crores and Rs.27.28 crores respectively. We are very happy and proud that the Indian armed forces trust us for maintaining the highest standards and for demonstrating excellent execution capacities. And that we are agile enough to deliver these requirements on time. Our association with armed forces of India is a long-standing relationship and we are their primary source of suppliers for certain high tech products like NBC suits.

While orders come only on a tender basis, we have a diverse range of products to ensure the dedicated line of business since 2017-18.

On another note, during the past year, we have witnessed certain ban on the use of flex material for banners in signage applications, particularly in the state of Kerala where the local government is aiming to promote the use of biodegradable material for such banner. Shiva Texyarn is at the forefront of manufacturing such material and has benefited from this strength. There are a very few players with the capability to offer these kind of products both on technology basis and as well as level of scale. We expect that this would be the norm in the time going forward, and this would expand business opportunities for us.

Our Lamination business continues to have a robust growth after the lockdown of 2020 and we had significant amount of traction there as well.

Overall, we are striving for a balance and sustainable growth in our Technical Textiles business. And as the impact of the second wave of the pandemic subsides, logistics and operations open up, we expect a strong upswing in the market.

Now, coming to a brief background about the company. Shiva Texyarn started its first spinning mill unit in the year 1989 and have grown steadily ever since. Our Spinning business expanded with addition of another unit and went up to 90,000 spindles. And post our demerger, we are currently in 52,000 spindles spinning capacity. While spinning has been our traditional business, our strategic focus is in the area of technical textiles where we have built a range of products based on technology and innovation.

In 2006, we started our Lamination division. And over the subsequent years we have commenced garment, processing, coating and related activities, each specializing in certain technologies for the end products which are all based on research and innovation. We also have backing up of several wind mills under a dedicated division to generate clean renewable energy for captive use.

Today, our product portfolio is a mix of various products which cater to a diverse range of application from home textiles, health and child care, defense, apparel, accessories and so on and so forth. Our diversified product portfolio reflects our vision to be a leader in technical textiles, driven by innovation. Some of our flagship brands include Quick Dry, The product segment creator in its area, Quick Fit, Q-Club, Paw Paw, among others.

The company has also taken up to doing significant amount of business on online and digital front in keeping with being preferred for the world opportunity. Our technical capabilities and know-how, coupled with our consumer-centric approach enable us to innovate new products regularly which would not only benefit the consumers but also be environmentally-friendly and sustainable. And this emphasis on sustainability is a core ethos in many of our strategies going forward.

Now, let me turn to our Financial Performance. For the fourth quarter, we reported Rs.109.41 crores in revenues during Q4 FY'21, a 21.87% year-on-year rise. Growth was driven by new orders from the Ministry of Defense along with the recovery in Spinning business post the COVID lockdown and also by the PPE and related businesses that benefited the Garments and the Lamination division. Our EBITDA for the quarter stands at Rs.11.2 crores, increasing by 121.84% year-on-year. Higher demand for yarn and a continued increase in yarn price helped improve margin. EBITDA margin is 10.23%, an improvement of 461 bps on the back of increase in yarn prices and higher contribution from technical textiles products. Our net profit during the quarter is Rs.3.63 crores as against the loss of Rs.0.73 crores in the last quarter of FY'20. Net profit margin stood at 3.32%, up 414 bps. EPS for the quarter is Rs.2.86.

For full year FY'21, our revenue stands at Rs.340.80 crores, declining slightly by 7.42% year-on-year. This has mainly been due to lockdowns across the nation during the initial months of the year and subsequent lower capacity in the spinning business as it reopened. EBITDA for this year is at Rs.43.01 crores with year-on-year growth of 27.81%, mainly due to higher yarn prices and internal efficiencies. EBITDA margin was reported at 12.62%, rising by 348 bps over the previous year. Higher contribution from technical textiles product improves margin. Our net profit during this year is at Rs.12.48 crores, a 979.02% increase year-on-year. Net profit margin stands at 3.66%, up 335 bps compared to last year. EPS for the year is Rs.9.47. That's all from our side. We are now open to questions. Thank you.

**Moderator:** Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Arpit Shah from Care PMS. Please go ahead.

**Arpit Shah:** Sir, some questions from the business side. Sir, on an annual basis, non-spinning is contributing 40%. So, what are the margins difference between spinning and non-spinning?

**C Krishnakumar:** Regarding this 40% numbers, the turnover split into 60x40, 40% Non-Spinning business, out of 40%, 50% from Lamination division, Rs.50 crores from Lamination division, another 50% from the Garments. So, major increase is Lamination and Garments. Garments, it includes PPE and coverall face masks and COVID-related products, again the defense also.

- Arpit Shah:** Margin from the spinning and non-spinning?
- C Krishnakumar:** Regarding Spinning margins, comparatively EBITDA is 7-8%, Non-Spinning business more than 15%.
- Arpit Shah:** How much fixed assets you have deployed for the Spinning business?
- C Krishnakumar:** Fixed assets, out of Rs.200 crores employed, Rs.150 crores is Spinning and 50 crores for Non-Spinning, only 23% of fixed assets employed for the Non-Spinning activity.
- Arpit Shah:** Working capital cycle?
- C Krishnakumar:** Working capital cycle regarding the Non-Spinning is almost maximum 30-day cycle. Spinning also, now days improved, earlier Spinning working capital cycle is 45-days, now it is reduced to 30-days, Non-Spinning almost 30-days.
- Arpit Shah:** Because as per balance sheet, somewhere it's coming to more than 75-days, that's why my question was that?
- C Krishnakumar:** This is due to end of March, the last quarter we did some extra turnover for both Spinning and defense section. So, now it is revised, average is....
- Dr. S K Sundararaman:** In fact, the working capital utilization varies based on seasonality on raw materials. Spinnings is very raw material dependent. And since there has been an increase in cotton prices, at this point of time it's Rs.52,000 to candy and there has been continuous increase. In anticipation, I believe the 35-day stock of raw materials, we have increased the stock of raw materials to about 65-70-days in the end of previous quarter. So, that would reflect slightly higher levels, but broadly the numbers would be what Mr. Krishnakumar is saying.
- Arpit Shah:** Going forward, we will be maintaining somewhere around 30, 35-days working capital cycle, that is the fair assumption?
- Dr. S K Sundararaman:** That is fair assumption but let me also give you some of the caveat, sometimes when we do military businesses, when the turnovers are large, we actually deploy much more working capital to hold all the raw materials, because some of these come from hard-to-find sources and we also need to ensure there is no batch-to-batch variant. That would also lead to certain short-term spike in the usage in working capital. But you can take 30-45-days as a broad thumb rule in general batch.
- Arpit Shah:** For the military, we received two orders totaling around Rs.40 crores. How much we have booked in Q4?
- C Krishnakumar:** This is 50% of Rs.13 crores, almost Rs.7.5 crores orders executed, only in the first quarter balance will come.

- Arpit Shah:** Out of Rs.40 crores, Rs.33 crores can come in Q1 or what is the time span?
- Dr. S K Sundararaman:** The HAVERSACK business of Rs.27.28 crores is just now I mentioned, while the orders have been secured, there is a lot of what we call as pre-production clearances that are required in this very unique product. So, production of that will only happen in the second quarter of this year and probably will be over by third quarter.
- Arpit Shah:** One more question on the Non-Spinning business. How much of this is 40%? On an annual basis, you have written somewhere around 40% comes from the Non-Spinning where we have good margin. So, there are two questions related to this: One, does this include military also into Non-Spinning which can be considered as one-off? And similarly on the Slide #19, we have mentioned different uses of technical textiles division. So, wanted to understand how we are planning to grow this Non-Spinning business and how much is it sustainable, so what is the minimum number we can expect on the Non-Spinning Technical Textiles division, and what is the game plan like where we want to increase the penetration or which product we are planning, there are outdoor clothing, mattress, medical textiles, what is the roadmap for say next two to three years sir, on the Non-Spinning business?
- Dr. S K Sundararaman:** Let me first of all say that yes, defense is a major part of our business but also what we are seeing is from being a single product vendor to the defense earlier on, we are offering a diverse range of products to the armed forces. So, while it is tender-based business, we are regularly seeing lot of business coming our way and we do see there is going to be a continuity. So, I am just trying to say that this is not a one-off business. The nature of the product might vary from HAVERSACK to BACKPACK to a cold weather clothing or to some of the other aspect where we work with them. We see continuity of business...
- Arpit Shah:** There can be some contribution on a sustainable basis from the military?
- Dr. S K Sundararaman:** For example, definitely there will be a significant growth this year compared to last year and we do see a good 24-months of continuity of where we are going as far as the armed forces is concerned. We are very confident of continuity of growth from the defense contribution, number one. Number two, our focus right now is on rejuvenating and growing our Quick Dry branded business because end of the day that is where we believe that we have to put our efforts in our branded business segment. We were hampered by COVID last year but post-COVID, the response was robust. As we are getting out of the lockdown in the first quarter, we hope that bounce back will be there because we are in essential product segment being in Diaper and Dry Sheets. So, we are quite confident that with some renewed strategies and lot of newer possibility of doing two things, that will be a growth area for us. Company has also invested significantly in enhancing capacity of coating division for biodegradable products. Now, that area is one of the most severely hit by the lockdowns because advertisement has come to a standstill. But we are expecting that to bounce-back. And that seems to be the future because biodegradable products is on everybody's mind and NGT has got multiple suggestions from various people. So, we expect more space will take up this area and Shiva Texyarn is uniquely positioned based

upon our coating capabilities and our knowledge and still getting like the best quality product at the lowest price. So, our growth areas, to rephrase, Military is going to be pretty strong, our Quick Dry division will contribute to growth, the Coating will also come up, but we are also looking at newer areas, particularly in processing where we are seeing technically-driven processing fabric, is also driving our growth in the years to come. So, we are pretty confident that the activities that we are doing in technical textiles division have a steady long-term growth vision.

**Arpit Shah:** In percentage terms, how much it can grow, 20% CAGR can we expect or more than that? And any call on the margin also that we will maintain this margin?

**Dr. S K Sundararaman:** I think CAGR of the technical textiles operations is anywhere between 15% to 25% to 30% growth can be expected confidently. Margins, because there is no great capacity addition, incremental increase in utilization should give us better margin but I would hesitate to put a number on that at this point of time.

**Moderator:** The next question is from the line of Ayush P, an individual investor. Please go ahead.

**Ayush P:** Sir, we have seen all the cotton yarn companies have reported really good numbers this quarter. So, what would be the major reason for that and how sustainable are the current margins?

**Dr. S K Sundararaman:** What's happening in the cotton yarn market, I mean, this is a story that has started from Q2 of the year and gone forward is that, there has been a skewed supply and demand, over a period of time what has happened is that supply of yarn has been slightly in excess of demand because of increased capacities across multiple regions. Now, what's happened post lockdown was that there was an inability of many companies to ramp up production. As a consequence, there was a lower capacity for supply into the market. Demand on the other hand was pretty robust, particularly from the export sector, particularly home textiles to start off in Q2 of last year, and then by end of Q2, beginning Q3 the demand had also caught up into the garment segment, where there was quite a strong offtake from garmenters, particularly, the knitting segment exporting into the US and Europe. The combination of those two and also taking the fact that cotton in Xingiang province of China was being banned, created, what I would call the situation, where there was sort of an upswing of demand for yarn and then prices consequently went up. Now, making forward-looking statement in the cotton yarn business already is difficult, but even our current understanding of capacity utilization across multiple areas and looking at the current kind of demand forecast that we are seeing in the market. Q4 was of course an extraordinary performance. I do not know whether we are going to get the Q4 kind of performance, but I am definitely sure we will get Q2, Q3 kind of performance going forward for the next 12-months, that's broadly our understanding of where the market is today. Some people are predicting we go even beyond that but from a conservative outlook, I don't think we have visibility that long. But even the current cotton availability, the China ban, the robustness of the international export markets and the fact that our garmenting has also got its act together of getting its people back



and manufacturing capability together. I can see the demand will be sustaining over at least next three to four quarters.

**Ayush P:** Correct, but just to understand still the overall in India how is the demand/supply situation currently like you mentioned that temporary there was a mismatch but in the overall scheme of things is the demand/supply situation now stable or there is still oversupply?

**Dr. S K Sundararaman:** I would say it's quite okay now, in fact, when the lockdown happened, we were all thinking that the amount of finished goods inventory, most of the larger producers will be quite significant. But what I am able to understand is that it is not that high. So, we don't expect oversupply is going to be there at least definitely in next three quarters.

**Ayush P:** Lot of small cotton yarn mills might have also shut down during the last one year or has any consolidation happened in the industry?

**Dr. S K Sundararaman:** Consolidation has been far. Industry has not been on a great wicket for a couple of years. So, it's not that huge amount of consolidation has happened. You should definitely keep in mind that Q1 of last year was a complete washout and Q2 was almost bare, Q3 and Q4 has gone to some extent to recoup the losses in the first half. People's appetite for consolidation might not be there, but if this trend goes on for the next three quarters as I am predicting, I am sure there will be enough liquidity in the market to start getting into consolidation I think.

**Moderator:** The next question is from the line of Vipul Shah from Sumangal Investment. Please go ahead.

**Vipul Shah:** What is the debt on the book right now because I can see you have reduced debt by Rs.50 crores in last year, so, is that figure correct?

**C Krishnakumar:** Sir, whatever numbers you have told is correct. Actually, we have reduced both term loan and working capital compared to last year. Out of term loan, we already repaid almost Rs.35 crores. Again, regarding working capital, we reduced almost Rs.30 crores. So, almost total Rs.65 crores debt is reduced compared to last year.

**Vipul Shah:** What is the term loan on the book as of 31<sup>st</sup> March?

**C Krishnakumar:** Regarding term loan, Rs.60 crores is outstanding.

**Vipul Shah:** My second question is on the technical textiles business. So, their margins are higher compared to other segments, can you quantify it?

**Dr. S K Sundararaman:** I wouldn't make the generic statement. What happens is that asset turnover ratios might be higher compared to the spinning industry, but margins are not necessarily higher, margins range in some industry from like 12% or so in coating division to about 16% to 18% in lamination. The military business which is part of our garmenting segment generally has got higher margins even compared to this . But in some segment, we utilize for example, in lamination, our capacity

utilization on installed machinery is about 45 percentage because we operate in very specialized products and we are not necessarily a mass manufacturer in those segments. In coating, we have a similar situation of about less than 50% capacity utilization because we have recently added lot of capacities. When these capacities come to scale, because of the efficiencies, we would definitely have EBITDA levels which would be slightly better than the conventional spinning industry.

**Vipul Shah:** Regarding this conventional spinning industry, it's a commodity business which you are concentrating on this high value items, is there any plan to move away from that commodity business over a period of two to three years?

**Dr. S K Sundararaman:** Shiva Texyarn had three years back gone through a demerger for similar reasons just to focus more on technical textiles and then we had our resultant company, but very recently we had this company in this. Yes, over a period of time, the idea is to separate the spinning and the non-spinning technical textiles division. But it is not something that is going to happen in the next one or two years. Probably, a three-year window would be more realistic which is what we are looking at it also.

**Vipul Shah:** If I have understood you correctly, over the next three, four years, we could see another demerger of this spinning business out of Shiva Texyarn just to concentrate on value added items like technical textiles and coating products?

**Dr. S K Sundararaman:** That's right, but we are not at the size to take the decisions now, but definitely at some point, once we reach certain requisite size and turnovers in those divisions, I think that would be the very likely way going forward.

**Vipul Shah:** And in spinning business also, are we making any value-added items or it is just like normal commodity products only?

**Dr. S K Sundararaman:** In the spinning business, to a large extent, there is not much of technology play there. Shiva Texyarn while I say that, there is a difference between the quality of yarn you consume because even if you take a normal 30 to 40 cotton yarn, depending on the kind of Noils we are removing which are built up, the amount of waste we are removing, the speeds you are spinning, you can actually come out with a superior yarn. Now, whether the superior yarn commands a higher premium or whether that gets you a higher loyalty is more the way you push in your strategy. At Shiva Texyarn, we are very clear that we want to be among the top one or two suppliers of high quality hosiery yarn into the knitting market, particularly Tirupur which takes more than 50% of our business and also in the upcountry market and into exports. So, we have a very-very strong stickability with our customers who take from us. In terms of margins, I would say, we would be at the fair level as industry. So, while this is a commodity business, there are certain strategies for stickability that do differentiate us from somebody else. So, it's not that you absolutely compare it apple-to-apple with everybody in the market.

- Vipul Shah:** Regarding your Non-Spinning business, you must be incurring lot of expenses on R&D. So, what was our R&D expense last year? And what type of guidance you can offer on R&D spend over next few years?
- Dr. S K Sundararaman:** R&D expenses are generally in-built into the operations. We do not have something called as an R&D team per se who dedicatedly....there are one or two people who are part of that but essentially operation line managers, material purchasing specialists and our quality control management labs personnel, labs personnel become very important are taken into individual sub-groups and they work on specific projects in R&D. Typically, our R&D costs on turnover will be about 1% I would say. But that again varies from quarter-to-quarter, and it is more need-based than a fixed amount that we actually put out into that. So, sometimes seasonally when we are doing for example, military-based, cold weather clothing, that would be seasonal because there will be a certain window of time period in which we will have to submit those. But broadly, you can take it about 1% would be input into R&D. When I say 1%, I am talking about at company turnover level. If you take technical textiles, it's probably about 2.5%.
- Moderator:** Thank you. The next question is from the line of Kush Gangar from Care PMS. Please go ahead.
- Kush Gangar:** You mentioned in your results that we have sold some assets worth Rs.28 crores. Have we used that funds to repay any debt? And is that figure reflected in the balance sheet of March or that figure would come in subsequent quarters?
- C Krishnakumar:** Sir, regarding out of Rs.28 crores, the entire funds used for the repayment of long-term debts. So, you can see in the balance sheet the long-term debt is reduced.
- Kush Gangar:** No, currently so debt has fallen from Rs.59 crores to Rs.55 crores only; September '20 our debt was Rs.59, 60 crores, currently it is Rs.55 crores, long-term debt I am speaking about. That should fall further, right?
- C Krishnakumar:** This is correct. Actually, we have reduced Rs.35 crores of long-term debt. Meantime, for reduction of the working capital interest purpose, we availed ECL loan for Rs.22 crores. So, that funds reduced in the working capital inventory. Instead of working capital grouping, we have grouped under the long-term because it is a long-term, that's why, the ECL loan was used for working capital but ultimately, it comes under the term loan numbers.
- Kush Gangar:** So, what would be the average interest cost for us with this reduction in working capital, low cost debt?
- C Krishnakumar:** We have a combination of starting with 7% to about 10.5%. So, average interest cost in future definitely will be 9.5% to 10%.
- Kush Gangar:** Have we bid for any tenders currently for defense apart from the two orders that we have received?

- Dr. S K Sundararaman:** Yes, quite a few.
- Kush Gangar:** By when do we expect any results out of those?
- Dr. S K Sundararaman:** There is no concrete number I can put. If we win, the announcements will probably be somewhere in end of second quarter or probably third quarter. But it's a tender based business, so anybody can get.
- Kush Gangar:** You mentioned about your capital utilization for Coating Lamination, etc., So, is there any CAPEX for next year?
- Dr. S K Sundararaman:** There is a CAPEX of around Rs.12 crores planned for augmenting some of our facilities in our processing division and there might be some minor add-ons to some other division. So, the total CAPEX of next year should be in a range anywhere between Rs.10-15 crores.
- Kush Gangar:** Any reason for increase in depreciation in this quarter versus Q3 in spite we had asset sale, so our depreciation should have fallen or will fall in next quarter, but why was it increase in Q4?
- C Krishnakumar:** Regarding depreciation, two, three combination of both tangible and intangible assets. Few intangibles, we have over a period of write-up, that's why some increase in the intangible assets write-up. That's why this depreciation is almost of Rs.1.5 crores. So, in future years it will be regularized, whatever after reduction of assets already sold..
- Moderator:** The next question is from the line of Anand S, an individual investor. Please go ahead.
- Anand S:** I had a few questions. One is around three years back in the AGM you had mentioned at that time Quick Dry sales was around Rs.40 crores. Like wanted to understand how it has grown over last three years? And what are the new products started there and new SKUs? And what are the plans for FY'22 and FY'23, like are we increasing distribution network there or anything you want to add?
- Dr. S K Sundararaman:** Yes, Quick Dry business with all the smaller attendant brands was approximately about Rs.40 crores at that time. And I would say that in the last year we have reached about the same number, in fact, we would have been slightly lower by 1 or 2 crores, I am not exactly sure, but it's Rs.38 crores or so. The reason for that was we lost almost the entire quarter in the lockdown of Q1 and whatever numbers we are showing, the recouping that happened in the subsequent nine months. And even in these nine months, I have to say that we did face some amount of localized lockdowns in March of 2021 across the country. While most people are cognizant that in Q1 now there have been a lockdown, the lockdown for us in terms of sales actually in fact started even in March of 2021. So, essentially, we had only about eight months' worth of sale. In that eight months, in Q2 and Q3, we received quite a robust amount of sales particularly in online format. So, we do retail with certain leading online retailers. We saw an uptick in those areas and we then took up a strategy for that. Going forward, we are very conscious that this is a brand that we have created and it's a branded product segment where we are a leader and lot of energies

going into that. We are even now exploring whether we can get into non-textile products that fall within this category to come up under our brand with activities starting right now. We are trying to add enhancement to the product by giving anti-bacterial tooth brushes and enhanced product into the market. We are also engaging in a lot of brand development strategy for certain external consultants, etc., to do a deeper penetration into the current market. For the current year '21-22, I am not sure how much of growth will be there. We will reach with all the efforts the previous year numbers of the Rs.40 crores, but since we have lost almost about entire first quarter in terms of sales and COVID pandemic, it seems to be too premature to give any prediction, it's going to be little choppy, but going forward, we are very strong, we are very confident that by the time we get, this is the brand that grew 20% to 25% year-on-year continuously till about '18 and after which we had a pandemic and then the whole issue started. So, what we are looking at is a significant growth in '22, '23 in this product based upon all the initiatives we are making. It is that core area of focus for us and we are very confident of growth.

**Anand S:** What is the advertising spend currently we are doing on Quick Dry?

**Dr. S K Sundararaman:** We do not do any advertising in terms of television or social media. Our strategy of advertising is mostly direct e-shop branding and reaching out to customers through social media to a particular segment that buys online. Our advertising spend on this is pretty low. When we launched Paw Paw, we did come out with a budget of almost Rs.1 crores which we deployed into the market as the initial pull to advertisement campaign. But at this point of time, we are happier, actually going direct to customers because it's a very niche segment of young expectant mothers and people related to young babies. So, we work more through targeted media than in general media. To specifically put a number on this advertisement, it's probably in the range of about Rs.50-60 lakhs per annum.

**Anand S:** Coming to the defense segment, we mentioned we have Rs.40 crores order book. My understanding was there were one or two companies taking part in the tender. So, has the competitive positioning, anything has changed, are we seeing any increased competition? Secondly, what would be the quantum of orders we could see in next one or two years in the tenders?

**Dr. S K Sundararaman:** I can see that you have been following the company for certain time. The original aspect, Shiva Texyarn pure play in NBC, that was the area we were strong in where we went inside, but at this point of time only two vendors for the Indian Army. So, over the last six years, the barriers to entry in this particular area is so high that no new entrant has come inside, the situation has not changed. And that just two officials, DRDO technology transfer holder for the NBC clothing and in the NBC haversack product we have won, we are the only company in India to have the technology transfer capability. We work in lot of other areas like in 70-litre RUCKSACK which goes for collecting the ACR which is also a part of what we mentioned earlier. At this point of time, there is only three approved vendors for the Indian Army for this particular product who have undertaken field trial. There are certain other products that we bid for with open market which don't have certain limited approval base. But our endeavor continues to focus on NBC

and those hard to get areas where either the technology challenges are so high that there are not too many players playing inside. On guideline as to where we are going, like we are replying to a previous gentleman, we see significant traction in this area both in the ongoing year as well as next year, quite significant, but I wouldn't like to put a number on that.

**Anand S:** In the Q4, we saw gross margin was flat QoQ despite a defense sale. What was the reason for gross margin like not increasing much? We had defense sales I understand of Rs.7 crores. So, I was expecting that gross margin should increase because defense would be a high margin...

**Dr. S K Sundararaman:** Absolutely, but Q4 is when like lot of the annualized expenses get added on and all. Q4 in fact was an excellent quarter for us, no doubt about it. But being a year-end, it is not probably reflecting in that perspective. Regarding gross margin flat question, defense related sales in Q4 was if I am not mistaken only about Rs.8 crores, Mr. Krishnakumar.

**C Krishnakumar:** It has only jumped by about Rs.1.5 crores. But regarding third quarter some costs are less compared to employee cost and other expenses. So, the fourth quarter, ultimately, the garment division turnover is high, the employee cost also increasing. The year end, this gratuity, all other provisions also added in the fourth quarter.

**Moderator:** The next question is from the line of Nitin Gandhi from KIFS Trade Capital. Please go ahead.

**Nitin Gandhi:** In terms of your retail distribution where you have some target to reach 30,400 distributors, how you plan or you expect revenue for retailer to go up, what is it at present and some little two, three years or five years plan so that your product could be including Paw Paw, Diaper or other could be available with smiley brand range, where you can give some aspiring numbers if you can share some thought process, how it will be geographically spread and ...?

**Dr. S K Sundararaman:** We currently have about 12,000-odd retailers across the country. We have not been able to grow those numbers as we have really thought in the last 12-months or so because of the pandemic. Maintaining the market and servicing the existing market is becoming more the norm than actually looking for expansion during this period of time in terms of new people. Everybody is risk-averse at this point of time. And there has been logistics breakdown, so there is not too many people present. Main strategy for Quick Dry would be to actually increase market penetration. We have 100 strong sales team that is fully retained during this period of the last 12-months plus. And we are very confident that they will be able to do higher inroad penetration. What typically happens is that we expect that a lot of our penetration would come from areas we have not touched so far, more B and C towns which requires lot of organized logistics to get to. And that is where our growth area is going to be. In terms of volume of distribution reach, we need to go to the smaller places. But in terms of volume of sales, we have to actually go and rejuvenate the major counters across the metro cities and all the larger cities, and we are actually putting together completely different team, we have outsourced activity to a third-party strategy consultant who are now actually trying to go and do a very expensive survey across all our retailers and distribution network to understand what are their pain points and to see what we have to do to actually grow. We expect that this should be over in about three months' time. And

during the course of this year also, we are also revamping our own go-to-market strategy. We expect that growth will happen on increased retailer base, rejuvenated city-based retailer network where we're going to push new products like the anti-bacterial product. We might most likely be completely anti-microbial in terms of our Dry Sheets range within about 18 to 24 months, we might actually come out of the thing. So, as we invented a product about 15-years back, and then created a completely new market segment, we are now working on seeing what can we do to actually up the game so that our competitors cannot offer the same kind of products. At the same time, we want to see how we can keep the price ranges okay without disturbing our margins and going forward. So, I can't give you per retailer revenue and things like that, because it's very complex matrices depending on location and product range and like number of years and all that. But if you look at it from a strategy perspective, we are increasing the number of retailers, rejuvenating the current retailers, increasing the range of products to show what it was called technology dominance and branding that would get the consumer recall. These are the areas that we are focusing on at this point of time.

**Nitin Gandhi:** Thanks for elaborate answer, but can you share something on like geographical spread like existing 12,000 over southern region, how much it is and how much they are contributing out of the Rs.350 crores revenue?

**Dr. S K Sundararaman:** I would say out of the 12,000, close to 4,000 outlets are in South India, about 1,500 I would say outlets would be in western India and the rest would be between central, north, east and northeast India. And one of our focus is to get the kind of retail identity we are having in the south into the other areas. So, we have a hub in Delhi, which is the primary distribution hub. Logistics becomes very crucial in this entire aspect. So, we are augmenting those last mile capabilities. Plus we are rejuvenating our team and actually trying to get into micro penetration for smaller places, which used to be supplied by distributors who are far away. So, what we have understood in this whole product is it's purely a logistics game, the efficiency of your logistic networks and systems will determine the kind of progress.

**Nitin Gandhi:** How much this 12,000 outlets might be contributing out of 350 crores?

**Dr. S K Sundararaman:** You're talking about the company turnover, right. QuickDry as a Division, like I mentioned a little earlier, did something like Rs.38 crores last year.

**Nitin Gandhi:** Can you shed some more color on non-flex banner?

**Dr. S K Sundararaman:** Flex is a PVC material, flex banners that you typically see on the road, PVC material, 50% of it is imported from China, 50% or even lesser than that is made by Indian manufacturers. It's a non-biodegradable product because biodegradability doesn't happen. Even non-recyclability is there because there don't exist the kind of facilities in every state to recycle these products. So, most of the time, you would probably find that somebody's using it on top of small shanty houses to as waterproofing mechanism. But more likely than not it's going to find its way into some landfill. Notably, the government of Kerala, but even the city of Bangalore and one or two other places have enforced a ban on all non-biodegradable flex materials. Kerala was very strong in

enforcing this and yet strong actually even at this point while the business has actually gone down because of the lockdown. The enforceability stands, they do not allow the use of any non-biodegradable products. We have two products; one is the polyester-based products, which we do not really push much because it's non-biodegradable, but rather we focus on putting out a cotton-based biodegradable material, which is SITRA-certified and all that, which degrades completely on burying within three months of time. And we have the edge in this product because we come from a background of making canvas coated fabrics for like art canvas, etc., So, we understand the sourcing supply chain to the raw materials of the base fabric, etc., and we understand the chemistry. So, we are the leader in this business as far as Kerala goes. Now, how big is that business? In the normal times, it used to be about one and a half crores a month out of Kerala was, almost about 18 crores out of one state in India. And we had actually augmented capacities keeping in mind that like, even three to four states would do this. And there have been like I said, multiple petitions to the National Green Tribunal, the Environment Ministry, etc., to start enforcing this. And we would be probably the one most poised to benefit out of this, like for the reasons I've already mentioned. So, keeping this in mind, we have actually gone for capacity augmentation. But given COVID, our plans have been actually delayed by about a year in terms of what we thought that the market would go. But this is inevitable. If the question is whether it's today, tomorrow or whenever we move towards a biodegradable solution for serious textiles, be it in diaper, and be it in banner, it's going to come.

**Nitin Gandhi:** So, how big is this PVC business happening at this point of time?

**Dr. S K Sundararaman:** At this point of time, different estimates vary, but the raw material of the PVC, so when you have PVC, you have got the fabric, but then you also have to print on it and then.... so, if I were to take it purely at a raw material base, the estimate vary anywhere between 1,600 to 2,400 crores as the total consumption within India in any one year.

**Nitin Gandhi:** And who else is there in this business which can ...?

**Dr. S K Sundararaman:** I would say the only organized player that we have seen in this business is Arvind Mills, but they are not very active even now, their coating division does not have focus on this. So, essentially there is no other large organization in this. There are certain technology aspect in terms of the chemical fields, etc., which we can take some time to get to that level.

**Nitin Gandhi:** So, for targeting 20%, 30% of this business should then be much hindrance, right?

**Dr. S K Sundararaman:** Well, that's what the thought process are. Current installed capacities within our factories can cater to about 80 to 90 crores business, while at this point of time, in total, we are doing something about Rs.22 crores to Rs.25 crores business in that particular division. That's the performance of last year given the COVID. So, we have the capacity to go there. We think it will happen. At Rs.80 crores it would still be less than 10% of PVC flex replacement business. So, once that happens, yes, we should have.

**Nitin Gandhi:** Strict enforcement can make this happen in three to four years' time?



**Dr. S K Sundararaman:** It's already happening in Kerala. So, the precedence is there. It's just about like legislation and enforcement. It will happen because you see the environmental impact we're having, Mumbai flooding in recent times, for example, can be almost traced to the single fact that all the flood drains are choked. And what chokes is the plastic because everything else crosses away. So, this is a no-brainer, this is replaceable, I mean one year through diaper they will go out at some point of time.

**Nitin Gandhi:** Now, based on your existing capacity of the company, non-technical space, what is the potential of the revenue which you can service, forget about the timeframe, but what is achievable revenue based on existing capacity?

**Dr. S K Sundararaman:** Based upon existing capacity in our technical textiles, we should be able to reach, I would say, about Rs.100 crores in our lamination division, up to about Rs.80 crores in our coating division, up to about 25 crores in our processing division, I would say about Rs.280 crores to Rs.300 crores will be the max we can reach with our current capacity without any issue.

**Moderator:** The next question is from the line of Neha Jain, an individual investor. Please go ahead

**Neha Jain:** I have a couple of questions. First one, in terms of addition to portfolio, what are the new additions that we have done in this product or are there any new products under development?

**Dr. S K Sundararaman:** In terms of new products, like I said, we are augmenting our Quick Dry range by trying to make it anti-bacterial, already pilots are going on in the state. We are looking at sourcing of non-textile products which is in the early stage but it's most highly likely which is why I'm mentioning it, we're getting into feeding bottles and related areas with Quick Dry. We have started manufacturing more products in our Quick Fit range of products is mattress protective fabrics, which are used to protect beds, now we are coming out with a completely new range of products which are a little more complex than the ones we are making already. Typical fabrics laminated with membranes, now we are getting into by adding this quilted product, we have put in certain initial capacity for the same. We have started manufacturing comforters, comforters are these pull-on fabrics that you have. And for that we have actually invested in a first level capacity, we have invested in making some quilting equipment and the fabric is bought out. So, comforters is an area we have brought inside and mattress protector. So, home textile-based product is something that we have been working on over the last six months. And the output of that should be coming out. And once we have a firm view of where we're going, then we will tweak that and we'll take it forward. We do a lot of new developments with the military. But I would not like to get into the details of that because it's an ongoing development in terms of catering to the new requirements with the product cycles being quite long, anywhere between 12 to 18 to 24 months to put something in the field and get it tested, validated and accepted. that's broadly what we've been focusing on the immediate past year or current year.

**Neha Jain:** Next question is regarding reduction in tangible and intangible assets. So, have we sold any assets and if yes, then what are the assets and that we must have sold. What will be the rationale behind selling those assets?

**C Krishnakumar:** Regarding intangibles, there is no specific asset we are capitalizing software and this product development and everything. So, in this intangible, is only for amortization, there is no sold up assets like that. So, here we have shortlisted various items after the COVID situation and all, the analysis of whatever the list of intangibles under these calculations. We amortized a sizable amount in this last quarter, that's all.

**Neha Jain:** So, as you mentioned earlier that our debt has significantly reduced, so do we plan to bring company towards zero debt level company in the future?

**Dr. S K Sundararaman:** That's where we are going, well, we use working capital very efficient and we have brought that down, term loan is going down. Lowering of debt that we would be working towards, but the company is also looking at increasing investments over a period of time and all that. So, yes, in the near future, you would see a decrease in debt. But going forward in line with the growth plans, we'll also be looking at investments that will be beyond our capacities. In the medium term, we would continue to see debt, in the short term, yes, we will see that continuously go down.

**Neha Jain:** And sir in line with the growth, do we have like a plan to go to about 1,000 crores turnover as one of our milestones and if yes, when do we expect to reach and what is the plan for the same?

**Dr. S K Sundararaman:** Just answering some of the other friends on the call, at this point of time we are a Rs.340 crore company, de-grown this year because of COVID. And our current capacities in terms of manufacturing should easily see us to almost about close to Rs.500 crores turnover. So, to grow to that level would involve the increased deployment of capital into new manufacturing facilities, etc., So, a Rs.1,000 crores company Shiva Texyarn is something that we are looking at over a period of five years. We are first actually focusing on getting to using that complete installed capacity and getting to the Rs.500 crores limit within the next 12 to 18 months. Once we cross that, we decide where we want to actually do our capacity enhancement and all that. We will start a process. We're looking at anywhere between a five to six year range when we will try to get into the Rs.1,000 crores number.

**Moderator:** That was the last question. Rest of the investors have any questions can contact the Bridge investor relations team. I would now like to hand the conference over to Dr. K.S Sundararaman, Managing Director from Shiva Texyarn Limited for closing comments.

**Dr. S K Sundararaman:** Thank you all once again for being with us in what we call the maiden conference call and we look forward to interacting with you in coming time. I thank the entire team of Shiva Texyarn for their untiring efforts, the hard work and dedication which has made the company resilient to upheavals, such as the pandemic we are going through. My thanks to IR team, Bridge. And once again, I appreciate all of you for taking the time to be with us. Please do get in touch with our Investor Relations team in case you have any further questions. Thank you very much.

**Moderator:** On behalf of Shiva Texyarn Limited, that concludes this conference. Thank you everyone for joining us and you may now disconnect your lines.