

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs160	7.5	Accumulate	Rs230	44%

*as on 15th May, 2025

About the Company:

RSWM is a part of the LNJ Bhilwara Group, one of India's esteemed and diverse business conglomerates. Headquartered in Noida, RSWM is one of India's largest textile manufacturers and exporter of synthetic, blended, mélange, cotton and specialty value-added yarns. The company also manufactures denim fabric, knitted fabric and green polyester fibres at its 12 state-of-the-art manufacturing facilities. With a legacy of more than 7 decades, the company today has its brand presence in 70+ countries in Asia-Pacific, the Middle East, Europe and North America. Through its subsidiaries and joint ventures, the group continues to innovate and contribute to various industries. BG Wind Power Ltd (BGWPL) is a wholly owned subsidiary of the company and RSWM has been receiving wind power supply from BGWPL for its various manufacturing units. Mr. Riju Jhunjhunwala is the Chairman & Managing Director and CEO and Mr. Rajeev Gupta is the Joint Managing Director of the company.

Results: Quick Glance:

- The net sales for the quarter reported a growth of 7.2% to Rs12562mn as compared to Rs11714mn in the same quarter last year
- The Ebitda margins for the quarter under review stood at 5.7% as compared to 3.5% in the comparative quarter last year
- The company reported profit of Rs15mn as compared to a profit Rs356mn in the same quarter last year
- The EPS for the quarter stood at Rs0.31 as compared to Rs7.57 in the corresponding period of last year
- For the full year, the revenues grew by ~18.9% while the loss came in at Rs400mn. The Ebitda margins stood at 4.3%

Conference Call Highlights:

- During the quarter under review, the company has reported strong operational performance, supported by enhanced order visibility, an optimized product mix, and focused approach towards sales and execution. While Ebitda saw an improvement in Q4FY25, gross margins faced a slight decline (on a q-o-q basis) due to the liquidation of low-margin synthetic yarn inventory. However, the Management emphasized that cost and raw material optimization remain key priorities. The business segments beyond synthetic yarn are witnessing a steady recovery, led by the company's strategic shift toward higher value-added products aimed at driving margin expansion
- On the industry front, cotton yarn spreads remained under pressure in Q4FY25, impacting the spinning margins across the sector. Despite these headwinds, the company maintained a strong focus on enhancing realizations, refining its product mix, and improving process efficiencies. These strategic measures have supported the overall profitability. The Management also highlighted that better consumption optimization in the knitwear and denim segments played a significant role in controlling costs. In addition to that, the Management indicated that the positive momentum observed in Q4FY25 is sustainable in coming quarters as well
- In the **cotton yarn segment**, the Management indicated that the spreads remained stable, with strong demand particularly from Bangladesh and steady consumption levels. Margins aligned with expectations, and internal efficiencies contributed to a modest improvement in sales performance
- The **fabric business** also saw encouraging momentum, supported by process improvements, innovation-led initiatives, and a continued emphasis on delivering high-quality, timely products that meet evolving customer expectations
- In the **denim segment**, despite broader industry challenges such as low capacity utilization, RSWM managed to secure healthy order volumes and improve utilization rates. This was driven by proactive customer acquisition, strengthened brand partnerships, and a focus on operational excellence
- Regarding the earlier acquisition of **Ginni Filaments**, the Management indicated that the total investment was ~Rs1,600mn, covering both the spinning and knitting divisions. The acquisition added ~80,000 spindles. While the knitting division has stabilized and is performing well after initial integration challenges, the spinning division faces some headwinds, primarily due to aging machinery impacting efficiency and performance
- The company is undertaking several **cost optimization** and sustainability initiatives to align with global environmental standards

Conference Call Highlights (contd.):

- The company functions as a zero liquid discharge unit, ensuring all water used in manufacturing is fully treated and recycled, with no environmental discharge. It is also in the process of transitioning from fossil fuel-based boilers to **biofuel alternatives**, with most of this shift expected to be completed by FY26E. On the energy front, ~25% of RSWM's power consumption is currently met through renewable sources such as wind and solar, with ongoing efforts to increase this proportion
- In FY25, the **export business** maintained strong momentum, with notable revenue growth across key markets including the Middle East, Africa, Southeast Asia, and others. The Management highlighted that India's favourable tariff position continues to offer a strategic edge over competing nations like Vietnam and China, allowing the company to deepen its engagement with global brands particularly in the US and Europe, where market share continues to grow. While some uncertainty persists regarding potential changes to US import tariffs on Indian goods, the company continues to remain focused on partnering with brands that offer higher visibility and profitability. In addition to that, RSWM is also actively expanding its presence in regions such as the Middle East, Europe, and America
- On the strategic front, RSWM made significant strides in innovation and sustainability. A key milestone was the launch of **Panchtatva**, which received strong interest at **Bharat Tex 2025** and was well received by both industry participants and government representatives. Additionally, the company has entered into a development agreement with **Birla Cellulose and TACC Ltd** to produce **graphene based textiles** to tap into high-growth segments such as technical fabrics and smart clothing. The graphene developed by TACC is a next-generation material that combines multiple performance textiles, including antibacterial and antistatic properties, thermal regulation, UV resistance, abrasion resistance, and enhanced tensile strength. In addition to this, the company continues to invest in product development through specialized centers that work closely with customers to align on design, emerging trends
- The company has recently entered into a share subscription and shareholders agreement with **Bhilwara Energy Ltd** with an investment of ~Rs2,500mn. In FY25, the finance costs grew significantly largely due to higher working capital requirements and the addition of term loans linked to the acquisition of the Ginni Filaments unit at the Chhata location in previous year. Depreciation expenses also increased, primarily due to the commissioning of the new Kapas unit at Banswara Lodha. The company's **total debt** stands at ~Rs17bn, comprising Rs7bn in term loan and the balance in working capital borrowings, including cash credit and bill discounting facilities from various banks. The company remains focused on strengthening its debt profile by refinancing high-cost borrowings, selectively repaying debt, and improving cash flows through better working capital management. These efforts are aimed at improving the debt-to-equity ratio and enhancing interest coverage, thereby supporting long-term financial stability and sustainable growth. **No major capex** is planned for FY26E, apart from maintenance capex. In terms of the power and fuel cost, the company is pursuing a dual strategy lowering per unit energy costs through increased adoption of green energy and improving energy efficiency via upgraded equipment

Financials:

Performance (Q4&FY25)									
Q4&FY25 Result (Rs mn)	Mar-25	Mar-24	y-o-y	Dec-24	q-o-q	FY25	FY24	y-o-y	FY26E
Total Revenue	12562	11714	7.2%	11956	5.1%	48258	40579	18.9%	50518
EBITDA	713	415	71.8%	506	40.8%	2087	949	-	2778
Other Income	91	114	(20.3%)	73	23.8%	325	364	(10.8%)	329
Interest	360	319	12.8%	336	7.1%	1401	969	44.6%	1425
Depreciation	383	416	(8.0%)	394	(2.6%)	1607	1532	4.9%	1546
Exceptional Items	0	773	-	0	-	0	773	-	0
Tax	49	211	(76.8%)	(50)	-	(183)	(72)	-	37
Share of Profit of JV	(4)	(2)	-	(7)	-	(12)	(132)	-	(12)
Net Profit	15	356	-	(92)	-	(400)	(211)	-	87

Outlook and Recommendations:

The past two years have been particularly challenging for the overall textile industry as well as for RSWM, which seems to be turning around with good financial performance shown by many players. RSWM's performance in Q4FY25 indicates a clear turnaround, reflecting a progress in operational execution and strategic realignment after a prolonged period of challenges. The company is now aligning its business mix to reduce reliance on the low-margin synthetic yarn segment and build exposure in higher-margin categories such as specialty cotton yarns, technical fabrics, and denim. The shift is backed by process innovations, stronger brand partnerships, and consistent improvements in customer responsiveness. Export momentum, especially in regions like the Middle East, Southeast Asia, and Africa, reflects the company's advantage from India's favourable trade tariffs and its ability to offer competitive, high-quality alternatives to buyers in the US and Europe. This export driven growth strategy is being reinforced by continued efforts in product development through customer aligned design centers and collaborations such as with Birla Cellulose and TACC for advanced graphene based textiles, which could help the company tap into emerging smart fabric markets. The company is diligently working towards **RSWM 2.0** which aims at improving the operational growth with initiatives to refine the product mix, better utilization, and control raw material and energy costs to help preserve margins. The integration of the Ginni Filaments acquisition is still underway and is showing signs of improvement in the knitting division, while the spinning division is expected to benefit gradually as efficient investments are made. Additionally, RSWM's strong emphasis on ESG evident from its zero liquid discharge status, renewable energy usage, and transition to biofuels adds a long-term competitive edge and aligns well with the priorities of global customers and investors. Combined with the company's focus on deleveraging, refinancing high cost loans, and better working capital management, these steps are expected to support a stronger balance sheet and healthier cash flows. While some near-term uncertainties persist around global trade policies, RSWM is trying to tweak its business strategy to capture profitable growth opportunities and improve shareholder value over the medium to long term. We maintain our target price of Rs230.

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