

BSL/SEC/17

1st March, 2017

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Dear Sir,

Subject: Transcript of Q3 FY17 Earnings Conference Call held on 14th February, 2017.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Kindly find enclosed a transcript of the Q3 FY17 Earnings Conference Call held on Tuesday, the 14th February, 2017. The same is also available on the website of the Company i.e. www.banswarasyntex.com.

Please take the same on record.

Thanking You,

Yours Faithfully
For BANSWARA SYNTEX LIMITED


(H.P. KHARWAL)
COMPANY SECRETARY

Encl.: as above

BANSWARA SYNTEX LIMITED
CORPORATE OFFICE

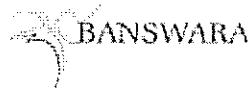
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**“Banswara Syntex Limited Q3FY17 Earnings
Conference Call”**

February 14, 2017



**MANAGEMENT: MR. RAVINDRA TOSHNIWAL – MANAGING DIRECTOR
MR. J. K. JAIN - CHIEF FINANCIAL OFFICER**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Banswara Syntex Limited Q3 FY 2017 Earnings Conference Call.

This conference call may contain forward-looking statements about the Company which are based beliefs, opinions and expectations of the Company as on the date of this call. These statements are not the guarantee of future performance and involve risk and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode, 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 telephone. Please note, that this conference is being recorded.

I now hand the conference over to Mr. Ravindra Toshniwal -- Managing Director of Banswara Syntex Limited. Thank you and over to you, sir.

Ravindra Toshniwal: Thank you. Good morning and good afternoon, ladies and gentlemen, a very warm welcome to the quarter three nine months FY 2017 earnings call of Banswara Syntex Limited. Along with me on this call I have Mr. J. K. Jain -- our Chief Financial Officer and SGA our Investor Relation Advisors.

Let me take you briefly through the performance in the year till date. On our garments performance, our continued focus has to been to move up in the value chain with growing emphasis on garments. Garments have contributed 18.5% of sales in the nine months of FY 2017 compared to 15% of sales in nine months of FY 2016, this is a substantial improvement in the overall sales.

Our major focus area continued to be in fast fashion and an increased global presence. Fast fashion offers a higher level of value addition to all the players. The growth in fast fashion has been fueled by advances in technology and there is profound difference in the supply chain compared to that of the traditional retail.

Our understanding of the aesthetics and our in-house design studios in Paris and in India are helping us to ensure best in class product development. We have worked out ways to shorten our delivery lead times.

To give you an example of a successful fast fashion brand like ZARA, ZARA is planning to open a store in Mumbai in the Fountain area where they will have 50,000 square foot of space and in that 50,000 square foot they would be paying a rental of Rs. 40 crores per year and have an expected of sale of Rs. 300 crores in one store.



*Banswara Syntex Limited
February 14, 2017*

So, to give you the growth that is expected in fast fashion, with ZARA already having one store in the Phoenix Mills where they having sale of about Rs. 150 crores annually. So, within Mumbai between Lower Parel and the Fountain area they expect to have a sale of Rs. 450 crores annually. So, we can see that fast fashion is really going to be something where growth is going to happen in a big way.

We have invested in People and created a productive asset base which could help us to be partners with such global retailer. Our expansion into new client bases in existing markets for us such as Europe and U.S. are helping us to create strong foothold in the newer markets that we have now focused upon like Japan, Korea, and Mexico. This will be a major growth driver for us and is expected to provide additional levers in improving our profitability.

The domestic market continues to provide good opportunities in this segment. As we see this market becoming conducive for leading global brands to come in as well as there will be domestic brands that continue to increase their presence.

Let us talk about fabric and yarn business now. Our fabric division contributed about 37% of our revenue and we continue to dominate the market for polyviscose and polyviscose lycra based suiting in India. While our yarn division boasts of one of the single largest set-up producing spun fiber dyed yarn in Asia and the largest producer of lycra based yarns in the country, currently forms about 40% of our revenue.

With our strength in yarn and strength in our in-house processing capacity we have been focusing on increasing contribution to the product mix from value added yarn instead of commodity yarns and providing the necessary input for our fabrics and garments division.

The improved product mix that we are planning upon will help in improving our margins and simultaneously we have been actively looking to collaborate with garment manufacturers and large retail brands to deepen our penetration in the target markets.

The past quarter, the Government of India's decision to demonetize high denomination bank notes has had a meaningful impact on the textile business in India. The domestic demand has seen a sharp decline in quarter three for FY 2017. Also, high raw material prices due to the increase in the oil prices have continued to pose a challenge for the synthetic fabric business. Despite these difficult situations Banswara has been able to remain profitable and there is not much drop in our profitability compared to the last financial year.

The larger picture continues to stay intact as we continue to increase our presence in the global market place with our specialized product offering and our reduced lead times.



Banswara Syntex Limited
February 14, 2017

In our endeavor to scale our garments division in line with the global expansion of fast fashion brands, we have invested in marketing and design and we are also contemplating partnerships in marketing with established women's wear players to have a global delivery of women's wear product with stretch.

We hope to strategically align with these global players by providing a multipoint delivery through collaboration with European manufacturers and garment manufacturers in leading Asian manufacturing hubs such as Bangladesh, Sri Lanka, Vietnam, and Myanmar.

Our aim is to achieve global partnerships by positioning Banswara Syntex as a value added B2B brand that provides design solutions and products in the challenging environment of fast fashion.

In line with this vision, we have our own design studio in Paris and we have hired the necessary skill persons who understand global fashion.

There is no major CAPEX for next few years, most of our investment is in soft skill and our debt repayment is progressing as per schedule.

Now, I would like to hand over the line to Mr. J. K. Jain to update you on the financial performance of the Company. Thank you.

J. K. Jain:

Thank you, Mr. Toshniwal. Good afternoon everyone. Let me take you through the financial performance of the Company.

The nine months working results for the FY 2017 the revenue at Rs. 926 crores, against Rs. 916 crores during nine months of FY 2016. Segmentally the yarn contributed 40%; fabric contributed 39% and garment contributed 19% of the sales.

The earnings before interest, depreciation, and tax last year was about 13% and current year it is marginally down to 11.3%. The finance expense during this year are lower by 11% to Rs. 47.5 crores.

The profit after-tax at Rs. 14.17 crores, the profit margin during this year is 1.68%. The finance cost during the Q3 FY 2016 was lower because interest equalization rebate received during that quarter.

I now open the call for questions please.

Moderator:

Thank you. Ladies and gentlemen, we will now begin with the question and answer session. We take the first question from the line of Viraj Mehta from Equirus. Please go ahead.



*Banswara Syntex Limited
February 14, 2017*

Viraj Mehta: Sir, I want to understand, what is the interest cost that we are bearing because compared to the debt that we have and interest utilization that we get back the interest for the working seems very high. Can you throw some light on that?

Ravindra Toshniwal: Yes, thank you Viraj. In fact the interest cost for the company is falling for two reasons one is rate of interest has gone down. The company's internal credit rating with the banks as we improved from A4 to A3 and that has been effective from 1st of January, 2017. So, the impact of interest rate reduction and further the reduction in MCLR basically the MCLR has also fallen after the prime minister's speech on 31st December, so all our peer group banks have reduced the MCLR by 0.7% so, the impact of reduction in MCLR and reduction of interest rate due to improvement in the credit rating by about 0.5%. So, collectively both together will impact the rate of interest by about 1.2%. The effective gain of this interest rate cut will be available to the company in the current quarter and subsequent period. So, interest cost until the 31st December was more or less on the higher rate of interest. Though the company is getting 3% interest equalization revenue for its export borrowings for fabric and garment, if the effective interest rate taken on the working capital including the interest equalization and export in domestic both together then the effective rate would be around 8.5% on the working capital.

Viraj Mehta: But sir, the number it is showing on the P&L is far higher.

Ravindra Toshniwal: Yes, it is inclusive of working capital as well as the term loans both. The working capital borrowing numbers also link with the overall borrowing by the company though the rate of interest has gone down. But if you look at, marginally the inventory levels have improved during this quarter and during this financial year. So, the impact of overall interest rate which effectively be available to the company from 1st of January onwards is taken by the increase in the borrowings for working capital due to inventory accumulation and that was mainly caused by the slow market demand and demonetization. There is a temporary increase in all of the inventory levels after the demonetization.

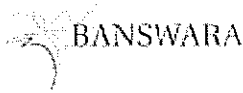
Viraj Mehta: Sure. So what times sir we expect the working capital levels to normalize again?

Ravindra Toshniwal: Yes, this benefit and everything is available to the company after 1st of January. So, in the current quarter we will see the impact of this interest rate reduction.

J. K. Jain: You mean in Q4?

Viraj Mehta: in Q4 itself.

J. K. Jain: Yes, so we will see some impact in Q4 and then going financial year 2017- 2018 we should see substantial improvement in the overall financial cost that we have.



*Banswara Syntex Limited
February 14, 2017*

Viraj Mehta: Sure. Sir, last couple of quarters we have also seen a reduction in EBITDA margins because the raw material prices have increased which we have not been able to pass on. By what time do you think we will be back to the margins we saw in Q4 of last year or Q1 of this year, I mean around let us say 14%, 15% is the generalized margin you are making. By what time do you think you can go back to those sort of margins?

J. K. Jain: Yes, so the EBITDA margins I would say have gone down from 13% to about 11.3% and we think we should be back to 13% in the new financial year for sure. Yes, let us take another quarter or so before this comes back.

Viraj Mehta: And sir, on an average would it be possible to quantify the amount of price hikes that we would have taken to offset the increase in the RM prices?

J. K. Jain: The price increases that we will get?

Viraj Mehta: No, you have already taken or you are planning to take cumulatively our last six months?

J. K. Jain: Viraj, basically the increase in the raw material cost we are just passing it on to the customers and it is happening gradually. For the last two quarters, we had bigger hit of the increase in the raw material rate and that reduced during this quarter. If you see the numbers and the percentage of raw material consumption to the sales during this quarter also you will come to know that the raw material consumption has fallen as a production value. So, gradually it is all coming to the track. Yes, it is becoming normal.

Ravindra Toshniwal: The reason for this is only we have basic B 2 B clients who are corporate brands all over the world and the brands fix a pricing policy which goes for at least one season which is about six months. If there is any price increase in that interim period of that six months we have to absorb it. But then in the net price list that comes for the next season, we can pass it on.

Viraj Mehta: Sure. Sir, just one last question our other expenses and especially employee costs are actually rising at a much faster rate than our sales over last couple of years also in this first nine months. Can we expect that at some point either the employee costs stop rising at that fast pace or sales growth will increase by 10%-12%, 15% because we have seen a very slow sales growth for a couple of years now but the other expenses just kept on going up. So even through the RM was lower we did not actually get the full benefit in our EBITDA margin. So, just wanted your view on that how do you think about that situation?

Ravindra Toshniwal: Yes, see the main reason for the increase in the employees cost is the increase in the garment business as a portion of our overall turnover. So, when the garment has gone up from 15% to 18.5%; whenever we increase garment business the cost of our employees will increase because the labor component what goes into the garment it is added onto the increase in the



*Banswara Syntex Limited
February 14, 2017*

wages cost, employee cost. So, that is the major reason, you cannot compare the past historical because as long as the garment business keeps increasing employee cost will increase to that extent. But the margins will improve because the EBITDA margin in garments is better than what it is in fabric or what it is in yarn. If we do 25% of our turnover in garment you will see the employees cost will increase but the overall EBITDA margin will come back and will be better. The market in our garments in brands in India has been very bad in the last whole one year actually I should say. First there was a huge impact because of all of the price cuts that all the brands face due to e-commerce and then there was the demonetization. So, really speaking the brands in India and we would know this from all the figures you may have on all of the brands in India whether it is a Maduraclutch of brands or Raymonds or the Arvind Group, everybody's brand in India has not done well.

J. K. Jain:

Viraj, you also asked about the other expenditure, so I would say this way that the other expenditure as a percentage to the production value is consistently improving. In the first quarter it was about 16% of the production value, in the Q2 it was 15.5% and now it is 15%. So, it is consistently improving and the expenses are rather not increasing it is stable and as a percentage of the production value we are just keeping a track and reducing the expenses.

Viraj Mehta:

Sure, sir. I was kind of looking at nine months this year to nine months the earlier year rather than comparing quarter-on-quarter because obviously it is the seasonal chain fair on the company for us to judge it on quarter-on-quarter, we trying to look at slightly longer horizons so that is the reason I came up with that question and best of luck sir.

Moderator:

Thank you. Next question is from the line of Harshil Shah from Anvil Shares & Stock. Please go ahead.

Harshil Shah:

Sir, can you give me break-up of debt sir, TUF loan as well as short-term loan.

J. K. Jain:

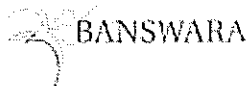
Right now that break-up is not readily available, I can send you the details of the break-up of the loans on your e-mail, I will just share it with you. Right now the total break-up of the term loans under TUF and non-TUF is not readily available.

Harshil Shah:

What is the total loans sir?

J. K. Jain:

Roughly may be out of the total borrowings of around Rs. 550 crores, the working capital borrowings are around Rs. 275 crores and rest is the term loan and out of the total term loans also approximately, 70% of the borrowing is under TUF and 30% would be around under non-TUF because you see in the last one year all the borrowings which are under TUF did not qualify for the interest rebate. Now the loans under TUF also get the benefit of the capital subsidy only. The real benefit of interest rebate was available only until loan sanctioned 1st April, 2016 and before. So, after that capital subsidy is available. So, the loan under TUF



Banswara Syntex Limited
February 14, 2017

should be understood in a way where we get the interest subsidy and the loans where we do not get the interest subsidy.

Harshil Shah: Okay. So, we get the interest subsidy or no sir in this 70%.

Ravindra Toshniwal: On loans which was sanctioned prior to 1st April, 2016.

J. K. Jain: And we have not taken much loans after that.

Ravindra Toshniwal: Yes.

Harshil Shah: Okay. And sir, what is the repayment schedule sir, for the next year?

Ravindra Toshniwal: Repayment amount of this current financial year was about Rs. 65 crores next year we will be repaying about Rs. 57 crores.

Harshil Shah: Rs. 57 crores?

Ravindra Toshniwal: Rs. 57 crores.

Harshil Shah: Yes, sir. And sir, what is the kind of top-line at current crude prices what is the kind of top-line that we can do from the existing capacity sir?

J. K. Jain: Well, I suppose it is possible to hit a top line of Rs. 1500 crores at the current capacity without expansions but we have not achieved because the market has not been good enough and we have been really focusing on, not trying to do commodity sales and doing value added sales. So, the challenge has always been about the market not about the capacity.

Harshil Shah: Correct, sir. Exactly my point sir, if we fill the entire capacity sir, what kind of margins we can do sir, can we get operating leverage, sir?

J. K. Jain: Of course we will but this question is really about getting product into the market that will allow the retailer to get sales and that means a lot of innovating is required today. The consumer is bored buying the same old things again and again and the consumer will go for what is new and what is trendy.

Harshil Shah: Correct, sir. Assuming we get the product, assuming like next two years we get the product, Sir. So, what is the kind of margins that we can do sir?

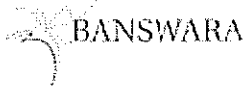
Ravindra Toshniwal: So, if you look at horizon of two years, three years we have a long-term plan in which we think that eventually we should get back to a 15% EBITDA over the next two years, three years and the turnover should be close to around Rs. 1,500 crores. So, we should be improving our



*Banswara Syntex Limited
February 14, 2017*

returns our returns substantially. We are pretty optimistic about the overall future for where we stand because even in today's circumstance when you look at the results of all our peer group, you will see that compared to the Q3 results that we have a substantially better results in terms of the fact that the drop in the profitability or in turnover has been very limited compared to what has happened to our RSWM, or Sutlej, or Sangam. If you look at RSWM their profitability went down from Q3, Q3 they had a profitability PAT, that is only PAT only. They went from Rs. 29 crores to Rs. 6 crores and Sutlej went from Rs. 51 crores to Rs. 27 crores drop and Sangam went from Rs. 15 crores to Rs. 4 crores.

- J. K. Jain:** This is comparison Q2 versus Q3.
- Harshil Shah:** Yes. And sir, also sir, what the margins we do in garments?
- Ravindra Toshniwal:** Rs. 254 to Rs. 423. So, we are the only one who have increased our PAT from the last quarter. So, you can see the trend is good.
- Harshil Shah:** (And sir, what are the kind of margins that we make in garment sir?)
- Ravindra Toshniwal:** When we pass on all the profitability of yarn and fabric and everything to the garment division then the EBITDA for garment would be substantially higher. It should be around 20% to 21% EBITDA.
- Harshil Shah:** And sir, Rs. 1,500 crores whenever we reach there what is the kind of garment contribution?
- Ravindra Toshniwal:** So, we are expecting our garment growth of about 20% to 25% annually.
- Harshil Shah:** 20% to 25% annually.
- Ravindra Toshniwal:** This year we should be at around Rs. 240 crores, so Rs. 240 crores increasing 25% every year. So, maybe we will be in three years or two years from now we should be closing to Rs. 350 crores.
- Harshil Shah:** Rs. 350 crores, correct sir. Can you name few of our clients garmenting total?
- Ravindra Toshniwal:** Yes, thank you. The last question Harshil was about the client we have the major clients we have in the garments. So, the major clients in domestic markets are Arrow, Van Heusen, Indigo Nation, , all of the private label retails, Park Avenue, BlackBerry, those kinds of clients we have in the domestic the major ones. And e-commerce platforms like Myntra and Flipkart as well; and for our international brands we have J. C. Penney, Macy's, Lanier Clothing, Gap, Perry Ellis, Target, Joseph A. Bank in the U.S. and Marks & Spencer, and Next, in the UK, I



Banswara Syntex Limited
February 14, 2017

would say those the major ones and we just started with ZARA as well. So, ZARA is going to be another major client.

Moderator: We move onto the next. Next question is from the line of Arjun Sengar from Reliance Mutual Fund. Please go ahead.

Arjun Sengar: First question is can you give me a rough break-up of your different raw material in terms of fibers and also, what kind of increase in the prices have you seen during this quarter?

Ravindra Toshniwal: The major raw material is polyester, viscose, acrylic, and cotton, and wool. So, for us wool has been the substantial increase. Wool has increased in the last two quarters I would say by almost \$2 a kilo in most of the finer micron. So, that is about an increase of about 25%. Cotton has been quite okay, nothing much has changed. Polyester has increased a lot.

J. K. Jain: Rs. 7 increase in the last two months.

Ravindra Toshniwal: Yes, it is a boat a 7% in polyester.

Arjun Sengar: In two months?

Ravindra Toshniwal: 7% increase in the polyester price.

Arjun Sengar: You are saying this is in two months?

J. K. Jain: In last couple of months.

Arjun Sengar: Okay.

Ravindra Toshniwal: A major increase in polyester and viscose has also increased by about 10%.

Arjun Sengar: This was also during the last quarter?

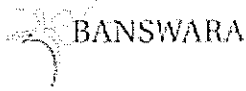
Ravindra Toshniwal: Yes.

Arjun Sengar: Okay. Your performance seems to have been pretty good despite significant increase in raw material prices.

Ravindra Toshniwal: Yes, it has not been bad, we were expecting to do better but demonetization and the raw material price increase has not just allowed the market to be as vibrant even globally the market has been quite challenging. But generally, we see that whenever the market is challenging we do not get too bad results and we still do fairly okay because of the innovation

we have and the product diversity we have. In fact, when clients are in trouble and the market is bad that is when they need something new and we are usually able to provide that.

- Arjun Sengar:** Okay. And what is your view on cotton prices from here?
- J. K. Jain:** For us cotton is not a significant portion of our business. I think cotton prices are going to be more or less the same.
- Arjun Sengar:** Okay. And sir, I was just trying to understand at the overall level exports is roughly 40% of your business?
- J. K. Jain:** Exports is around 46% of the business.
- Ravindra Toshniwal:** Yes, 50-50 between exports and domestic.
- J. K. Jain:** Okay. And also can you tell us roughly in garments, yarn, and fabric what are the export and domestic mix?
- Ravindra Toshniwal:** Garment, yarn, and fabric individually. Okay, J. K. will just give you those numbers.
- Arjun Sengar:** Just a rough.
- Ravinder Toshniwal:** For the nine months if you look for the current period the overall exports, 50% is contributed by the fabric export and rest is divided between yarn and garments equally. So, we can say out of total export 25% roughly is around yarn, and 25% is garment, and fabric represents 50% of our exports. So, in that sense fabric is representing 50% of the total exports of the company as a segment may be in fabric we have 75%, 25% export versus domestic. In garments, there will be more domestic in less exports and in yarn it will be almost again more domestic and less exports. Fabric is the one where the export dominates. And this scenario will change as the garment industry in India becomes more competitive and better which the government is really encouraging. As you see the TUF and all of the schemes the government has even on the labor front and everything because if you look at India as a whole we are uniquely skewed by having a large spinning base and large yarn base and the large fabric base but a smaller garment base.
- Arjun Sengar:** So, you think this recent apparel policy has done enough to make a significant change in the mix for the country as a whole?
- Ravindra Toshniwal:** Yes, we have seen that and I think that would be a significant contributor. TPP for example got abolished and we were fearing TPP so that is no longer a challenge. And whatever policies now will be adopted by the U.S. will have an impact but I think there will be a positive impact for India.



*Banswara Syntex Limited
February 14, 2017*

- Arjun Sengar:** Okay. Sir, you were talking about better performance during this quarter relative to some other companies like Sulej. So, I was trying to understand the reasons for that, so one potential reason is that your export share is much higher compared to for example Sulej and you have a slightly diversified product mix because you got garments and fabric also. But my question is that when the market is generally weak, is it correct to say that margins get most impacted in yarn followed by fabric and then followed by garments is that correct?
- Ravindra Toshniwal:** Not necessarily. What is true is that when the market is weak commodity is affected the most. And it is only something in innovation that pays and helps margins under the weak market.
- Arjun Sengar:** So, in your yarn segment, what percentage would value added yarns?
- Ravindra Toshniwal:** We are monitoring that now quite effectively and I do not have a number with me right now but I know that we are focusing on increasing the share of fancy yarns and stretch yarns for which we have history and we have a very good reputation in the market and that should help our yarn because our yarn business is not raw white commodity yarn at all. We only have dyed specialty yarn.
- Arjun Sengar:** So, is your mix very similar to what Sulej does in yarns?
- Ravindra Toshniwal:** No, I would say, Sulej...
- Arjun Sengar:** Because he does a lot of mélange yarns also I think.
- Ravindra Toshniwal:** Yes, but the mélange is not something we do so much. I would say Sulej in the polyviscose part is quite similar but they have much less lycra then we do for stretch based yarn and we see stretched based fabrics and stretch based yarns is being the next frontier where most of the fabrics will have stretch even in men's wear.
- Arjun Sengar:** So, are the realizations in lycra based yarns and stretch based yarn superior?
- Ravindra Toshniwal:** Yes, most definitely so.
- Arjun Sengar:** What would be the rough realization per kg in lycra yarns?
- Ravindra Toshniwal:** I would say that you can get compared to the normal rigid yarns, stretch yarns would give you 15%, 20% better margins.
- Arjun Sengar:** Okay. And in your fabric segment, do you have idea of the rough break-up between value added and commodity?

Ravindra Toshniwal: Right now it would be 50-50 but it will increase, we are have our focus on increasing that. So, that is why we are not making expansions. Our focus on the strategy is we have the capacity and we are not able to use all of the capacity and we would not be able to use it as we expand more, it will be even more of problem. So, the only thing we can do is increasingly offer the uniqueness and product innovation that customers want so that our capacity is used completely and at better value. That is the strategy and we will remain consistent with strategy for the next three years, four years.

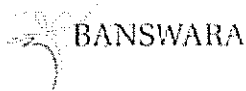
Moderator: Thank you. We take the next question from the line of Rakesh Hambekar, who is an Individual Investor. Please go ahead.

Rakesh Hambekar: My question first is on the potential partners that you may tie-up so, what would be the benchmark let us say an ROC or market reach or let us say a brand name?

Ravindra Toshniwal: Right. So, the potential partners we are looking at in tying up within Europe are basically to help us in the marketing and market penetration and we are looking for sort of joint ventures in marketing, wherein, they have the technology and they also produce in Europe and they are willing to give us the technology to make it here without significant investment but just the skills required to used our capacities for that better technology product and that is the kind of partners like we have Carreman for example, a few years ago we had Carremanas our partner and then seven years we had a joint venture with them. We are looking for similar partnerships in Europe. And as far as Japan is concerned we have made a partnership now with Takisada a trading company that is one of the largest and has over \$1 billion sales in selling our fabric and garments within Japan. So, we are looking at Korea and Japan in a very serious way. In fact, just to share with you the numbers of what we did in Japan, we did or let us say we will be closing FY 2016- 2017 expect with about a turnover of around Rs. 12.73 crores in Japan market alone. Last year we have done Rs. 7.3 crores so the growth is from Rs. 7.3 crores to Rs. 12.73 and projection for 2017-2018 is expected to be Rs. right 33.15 crores. So, we are looking at significant jump like three times what we would have done in 2016-, 2017 we will do in Japan. That is the partnership we are looking for in Europe and Japan. The U.S. market we continue to do what we are doing and it is more or less flat, I do not know any significant change will happen in the U.S. except that we might penetrate the U.S. market with women's wear that is still unexplored for us.

Rakesh Hambekar: Okay. And my second question is on the domestic front, so are you working on building a brand in the domestic market?

Ravindra Toshniwal: So, this is question which we always ask ourselves is whether we should get into the brand building process and we have deferred and we still have not clenched into it because we sell to all the brands and if we do want to get into the branding process which we are building a team



Banswara Syntex Limited
February 14, 2017

for we will do about it a year and a year and half from now. And that will be mainly in the garment brand so, we would like to be in retail with the garment brand of our own.

Rakesh Hambekar: Okay. So, because see building a brand would be quite an expensive proposition, so, you need to have reach, you need to have distribution, so let us say if we talk of the fund part so would it be more of the internal accruals or you will be taking on the debt how would be the combination.

Ravindra Toshniwal: I mean that is why we have deferred the whole process until our profitability is significantly good and we start to achieve the EBITDA margins of 14.5%, 15% and we start to get a net PAT of like closer to Rs. 50 crores or so, we will not plunge into the brand and we will need to finance from internal accruals mainly for the brand.

Moderator: Thank you. Next question is from the line of Arjun Sengar from Reliance Mutual Fund. Please go ahead.

Arjun Sengar: Just wanted to ask some follow-up questions. Sir, in your garment you said that you will be growing at 20% that is a very handsome growth number. But just for the sake of understanding as of now what are the limiting factors, is it from the demand or is it from the supply side in terms of training new workers and so on?

Ravindra Toshniwal: It is mainly the demand side, it is really not a challenge in terms of the workers or expansion and anything that we need to do for the supply side and the only way to stimulate demand is to create products that interest the consumer. Like today when you walk into a ZARA store you see that the difference in the product range available excites consumers and they like to go there again and again. That is the only thing that is driving demand and if you have same product and you have it just cheaper that does not necessarily give you more demand.

Arjun Sengar: Okay. And what kind of ROCE do you do on this segment?

Ravindra Toshniwal: What kind of what?

J. K. Jain: Return on capital employed.

Ravindra Toshniwal: As a whole for Banswara Syntex?

Arjun Sengar: No, for this segment garmenting.

Ravindra Toshniwal: So, like we said the EBITDA margin on garmenting around 20% to 21%.

Arjun Sengar: Okay. So, this segment right now is slightly under 20% of your mix and in three years time based on your guidance it should be roughly 50% of our mix.

- Ravindra Toshniwal:** No, not 50%, it should be one-third may be 33%.
- Arjun Sengar:** Okay. I thought you said that I should reach Rs. 650 crores in three years' time.
- Ravindra Toshniwal:** Rs. 350 crores.
- Arjun Sengar:** Rs. 350 crores, okay.
- Moderator:** Thank you. Next question is from the line of Manan Mehta, who is an Individual Investor. Please go ahead.
- Manan Mehta:** Sir, I have a couple of questions. The first one, you have been speaking the fast fashion in your last calls. So, I just wanted to get some thought process behind that and our growth proposition over here.
- Ravindra Toshniwal:** The growth proposition into fast fashion from Banswara?
- Manan Mehta:** Yes.
- Ravindra Toshniwal:** I mean, so when you look at fashion as a whole today a big change is that in terms of the number of turns of different product in the stores, the fast fashion idea is that every time you go to the store you will see something new. Earlier people use to have only two seasons or three but ZARA does almost about eight different turns in the store and sales which come regularly. So, the whole challenge is to re-design your supply chain and your whole management of how you understand fashion, what trends are happening in the global scenario and here is where we have a lot input which started all the way from when we had Carreman; you know we understand global fashion a little bit better than most mills in India. Because of the fact that we have been exposed to it and the question is really about a strategy to keep in line with trends and provide those inputs to customer in a timely manner so, they can be in fast fashion and continue to read the benefits of that because all the people who are in fast fashion like Uniqlo or even H&M have all been doing very well.
- Manan Mehta:** Yes, sir. Sir, just a follow-up on that like are we having any kind of partnership relating to fast fashion already in the pipeline?
- Ravindra Toshniwal:** So, the partnership that I was talking I think just now I was talking to Arjun I think Arjun we were talking about partnerships is the one we are looking and exploring with European companies who are actually understanding what trends are happening, most trends are really starting in Europe. So, the design studio we have and the partnership we are exploring and we hope to conclude one or two partnerships with a few European companies within this year that will help us to be aligned and tuned to the fast fashion.



Banswara Syntex Limited
February 14, 2017

Manan Mehta: Right. Okay. Sir, one more question is regarding our Asian garments hub that we are looking to target like what kind of partnerships are we looking to have in say Bangladesh or Sri Lanka or these kinds of markets?

Ravindra Toshniwal: Yes, so, if you look at Sri Lanka for example there is a very large group that is called Hirdaramani and the size of those groups are about 30 times as large as any of the largest garment manufacturing company in India. These companies have relationships with many brands like Calvin Klein and others. So, we have been with Hirdaramani and working for Calvin Klein sending them the fabric collection and showing collectively a range of garments made from our fabrics that allow them to increase sales with Calvin Klein. So, we make joint presentation with garment manufacturers in Bangladesh, in Sri Lanka, in Vietnam to these brands whom we do not have access to, who only buy garments. This will help our increase in the fabric sales not our garment sales.

Manan Mehta: Correct. So, there is more focus over there basically.

Ravindra Toshniwal: Correct, the focus is on selling our fabric to the garment hubs where there are matured relationships and there is experience already between the brand and the garment maker. Those relationships are not yet built in India even though India is progressing in its garment a lot; it is still very small right now. I mean for example, I will tell you in Japan, I studied these statistics, Japan in its total import of garments still import 68% of its garments from China and India only has a 1% share and there is a duty of about 8% or 9% from China into Japan which they have to pay when they get garments from there and India is zero. We have that 8% or 9% advantage in FTA in Japan and yet we have 1% of the market share.

Manan Mehta: Okay. So, we will be able to improve that also going on.

Ravindra Toshniwal: Yes, I mean there is only improvement possible.

Moderator: Thank you. Well, that was the last question. I now hand the floor over to Mr. Ravindra Toshniwal for his closing comments.

Ravindra Toshniwal: Well thank you, everyone for listening to us and all the question which have been useful for us as well to reflect on our future strategies. We are at this point, looking forward to last quarter and working hard towards seeing that we can achieve results which are similar to what would be last year at least because last year we had a very good Q4. So, it is going to be challenging to achieve similar results in this last quarter. But next year in the financial year 2017, financial year 2018 we have made all our plans to really leverage the capabilities that Banswara has created over these 40 years. This year we would have completed I think in September we will complete 40 years of existence, so probably around the end of this year we will have a celebration for that and we will plan on what we will be doing with all of the learning we have



*Banswara Syntex Limited
February 14, 2017*

had in the last 40 years to leverage our performance and give the results that we think we are capable of. And we look forward to your support and continued interactions with you. Thank you very much, everyone.

J. K. Jain: Thanks. Have a good day.

Moderator: Thank you. Ladies and gentlemen, on behalf of Banswara Syntex Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.

