BANSWARA

BSL/SEC/22

3rd August, 2022

BSE Limited
Listing Deptt.
Floor 25, P.J. Towers
Complex Dalal Street, MUMBAI - 400 001

Scrip Code: 503722

National Stock Exchange of India Ltd.
Listing Department
Exchange Plaza Bandra-Kurla
Bandra (East), MUMBAI-400 051

Symbol" BANSWRAS

Sub: Transcript of Q1 FY23 Earnings Call held on 1st August, 2022.

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are hereby enclosed herewith a transcript of the Q1FY23 Earnings Call held on Monday, 1st August, 2022. 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

BANSWARA SYNTEX LIMITED BANSWARA

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"Banswara Syntex Limited Q1 FY23 Earnings Conference Call"

August 1, 2022

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 3rd August 2022 will prevail.

MANAGEMENT: MR. RAVI TOSHNIWAL – MANAGING DIRECTOR
MR. PANKAJ GHARAT – CFO

Moderator: Ladies and gentlemen, good day and welcome to Banswara Syntex Limited Q1 FY23 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 guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants' 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 touch-tone phone. Please note that this conference is being recorded.

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

Ravi Toshniwal: Thank you, a very good afternoon and welcome to everyone. It is my great pleasure to announce our Q1 FY23 earnings conference call and I hope each of you and your families are in good health and if at all affected by COVID, have the mildest of symptoms. I am joined on the call by our CFO – Mr. Pankaj Gharat and SGA – Our Investor Relations Advisors. I hope everyone has had the chance to go through our updated investor presentation uploaded on the exchanges and our company website.

For the benefit of audiences who are joining the earnings call for the first time, I would like to give a quick overview of the company followed with a review of our financial performance during Q1 FY22-23. Our company Banswara Syntex is a vertically integrated textile company, and we specialize in the production of fiber to garment in blended specialty synthetics mainly. We also do certain other blends. We are in the business of producing yarn, fabric, and readymade garments. Over the years, we have exported our goods into over 50 countries including the developed markets of the US, UK, Canada, Spain, Germany, Japan, France, and Turkey. We also continue to export in the Middle East. We have always been a product innovation focused company and considering the changes and choices and aspirations of our consumers, we have diversified our offerings and updated our products. Due to our specialized product range, we do service many highly reputed domestic and international brands. We are always upgrading our technology in our factories to produce the highest quality products at scale.

Now, coming to the standalone financial and operational performance of the company, I am very pleased with our business performance this quarter. Historically, quarter1 has always been a sluggish quarter. However, it gives me immense pleasure to see that it is at par with quarter 4 FY22 which is usually our strongest quarter. So, our weakest quarter in quarter 1 FY22-23 is better or almost equal to our strongest quarter in the last year. The total income for quarter 1 FY23 increased by 67.4% to 355 crores. The proportion of our high margin value added business which includes fabric and garments has increased to 57.4% of the total sales in quarter 1 FY23 as compared to 55.8%, so almost a 2% increase as compared to quarter 4 FY22. The proportion of exports dropped to 48% of the total sales in quarter 1 as compared to 51% in quarter 4 FY22, the export of fabric seeing the highest percentage decline of about 12%. This is majorly due to the seasonal variations in demand in quarter 1 as compared to quarter 4. However, the production levels of the fabric divisions witnessed a minor increase of 1% and the garment division had an additional production of 6% more jackets and trousers on a quarter-to-quarter basis. The yarn division is already running at optimum production levels.

The EBITDA for quarter 1 FY23 increased by 136.5% year-on-year **(Inaudible) 5.06**. The profit before depreciation and tax **(Inaudible) 5:05** profit for quarter 1 FY23 increased by 104% year-on-year to Rs. 38.5 crores and the profit after tax for quarter 1 FY23 increased by 475% almost to Rs. 19 crores. So, you can see why we are pleased with this quarter. The capacity utilizations across all divisions helped the company to maintain and improve its margins in spite of cost increases.

On the cost front, I can share with you that the employee cost increased by 0.58% compared to the last quarter. This is majorly on account of increments that happened after March as well as the increase in employment that we have generated in the garment division, which is actually a good sign, as it will augment future increased garment capacities. Our power cost increased substantially due to the cost of coal and the various generation costs at our end, and we had an additional cost of Rs. 5.3 crores on power and fuel as compared to the previous quarter due to the price increases in the coal. To moderate this, as we had advised earlier in the earlier calls, the company had undertaken several steps and we continue to work on the single 132 kVA electricity line to replace the thermal power. We are evaluating biomass as an alternative means of power on our existing coal fired plant and we have already commissioned a 4 megawatt of solar power which has helped us to some extent. Luckily, we were able to pass on quite a bit of these cost increases due to the market conditions being favorable in our product. The increase that has happened in Finance cost is due to the inventory and debtors increasing and also some Capex which again is normal considering the fact that we are on a growth trajectory and inventory will go up for a moment.

Going ahead, we expect domestic demand to continue to remain strong while we do see headwinds in exports due to the recession fears. These recessionary headwinds globally while they are real and we are getting feedback from consumers slowing down in most markets, we hopefully continue to maintain that a more resilient demand in India will continue as compared to the rest of the world given the geopolitical need to move away from China for our export customers as well as the momentum in India itself which is still very robust and demand in the retail sector continues to be strong. To supplement this assumption of mine, I can say that our garment division is overbooked and completely full **(Inaudible) 8:35**. We are now speaking in August of 2022, and we are already full in our order book up to March of 2023 in the garment division.

The power costs that we have continue to remain elevated and for some time this is expected until our biomass or 132 kVA kicks in. However, like I said, we have been lucky enough to be able to pass on quite a bit of these margins and still in spite of these increased costs manage to get a very good result.

The sustainability initiative remains a very important initiative for us, and we have improved the amount of recycled polyester that we use in our products and that has also helped our bottom line along with the image. We continue to work **(Inaudible) 9:36** on coal with biomass and solar power. We continue to upgrade our effluent treatment plants and sewage treatment plants with complete recycling of water and the usage of less water overall. Although Banswara is blessed with a very good quality and a big supply of water, we are very conscious of our efforts to maintain this.

We shall now open the floor for questions and answers.

Moderator: We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Niraj Mansingka from White Pine Investment Management. Please go ahead.

Niraj Mansingka: I just had a question on the market in the export. Considering that there have been issues on the Russia side and there is some slowdown visible on the Europe side as well and you are quite present in the Turkey market, can you give some color on how you see the demand growth rate and what type of products are in the demand, etc.?

Ravi Toshniwal: It is a very important question because at this point, one definitely sees that slowdown**(Inaudible) 11:27** amount in all of the European countries has been quite drastic, and I think the exception is probably only France because it has more **(Inaudible) 11:39**, Germany, Turkey, and many of the countries we export to including UK are experiencing a very high inflation. So, we are sensing that there will be a challenge in regard to having a product mix that meets this need of inflation and we have been able to cost re-engineer many products using a more synthetic blend. So, we have increased the amount of polyester we use, found a way to change the blends that keep the cost down. So, one of the ways to tackle inflation is to provide products that are inflation proof and yet innovative. This we have been able to do **(Inaudible) 12:29**. The other part is that there is a shift towards India and the China-plus-one strategy continues to remain on top of the mind particularly in UK buyers and many buyers in Germany and many buyers all over Europe, as well as definitely in the US. This is because they are all very scared in the way of the geopolitical situation of what may happen if China were to ever invade Taiwan. This remains a hanging threat. In that situation, they want to have an alternative, and at this point, they are being very patient with India. Even though capacities are not available in India, they are giving us the opportunity to build the capacities and to give them the products even at a slower rate.

Niraj Mansingka: One more followup. Do you see non-cotton demand much higher than cotton in the next say 1 or 2 years because of, 1) Cotton price increase 2) India is also probably replacing China to some extent in the market?

Ravi Toshniwal: Absolutely, this is an important point that you bring up because we are seeing that synthetics in India has been a relatively smaller basket in terms of the export as compared to cotton and now, we are seeing that there is a large production capacity of polyester and viscose in the country. Raw materials being available and now the mills all having revamped themselves for more textiles to be produced, we are able to meet the demand, which is lower than what it used to be, but if **(Inaudible) 14:20**we were to replace China, there could be no better time than the next 2 years. This is a real golden opportunity and those who are able to step up to the plate, give products which are more piece dyed with cycle times which are much smaller than what they were used to, they have all of the opportunity to capture this market which customers are offering up to us.

Niraj Mansingka: A related question. How much can we scale up our capacity considering that there is a potential demand?

Ravi Toshniwal: I think that there is a lot of idle capacity in the country. When you look at it, you see the capacities have been bought up by like say for example Reliance has bought up Sintex or the Alok Textiles and many capacities that were not utilized are now going to come back into the pipeline and there is definitely a potential for synthetics to utilize these capacities fully. For example, we had a jacquard division and a worsted spinning division which prior to the pandemic, we were never able to use fully, and even for the last 2 years, we had idle capacity there. Now, we are in a situation where we are engaging outside looms. The fortunate part for Banswara as a company is that we have excess capacity available in finishing. Where we have our bottleneck is in weaving. Hence, we are planning to go with outside weaving and outside knitting to get fabric from outside, yarn from outside, and be able to increase our turnover by **(Inaudible) 16:03.** The biggest two bottlenecks in India to increase exports is garment capacity and finishing capacity of quality. We don't have a finishing capacity problem. Garment capacity increases in India have begun to happen at a very fast pace but it continues to remain a challenge. In the meantime, **(Inaudible) 16:23** fabric all over the region of Southeast Asia all the way up to Vietnam where we have always been sending goods and the exports from this part will continue to go to the rest of the world for our synthetic products.

Niraj Mansingka: What was the utilization of your processing capacity in the quarter?

Ravi Toshniwal: So, we have a capacity to do upto about 3.5million meters of value added. It depends on the product mix. We could go between 3.5 million to 4 million meters depending on what product mix we decide to process and at the moment we are only using 2.2 meters per month. Earlier, we were doing job work which we have stopped completely now. And we have liberated all the capacity for our own use, and we are sourcing grey fabrics to be able to run the entire finishing.

Moderator: The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Sir, I just wanted to understand now taking the last argument forward like we have stopped the job work and utilizing for our own use. So, ideally it will be margin accretive for us, right? going forward?

Ravi Toshniwal: Yes, hopefully. At this point, it will depend on how much customers are willing to pay and what value addition we can bring to whatever greyish fabrics we buy from outside, but it looks positive, it looks very good.

Deepak Poddar: And you did mention that we have been able to pass on any kind of cost increase. As a result, we could maintain our operating margin in spite of cost escalation. Now, in maybe next 2 to 3 quarters, once your alternative fuel comes through, ideally wouldn't that result in expansion of margin for us? Would that be considered as another lever for margin expansion for us?

Ravi Toshniwal: Yes, the only challenge is that this biomass implementation has many challenges to it. We are experimenting with it right now in our thermopack in the finishing before we scale it up to do it in the power plant and it has been fairly successful. However, there is a lot of volume of agro-based and other biomass to be collected and made into the clinkers and made into the sort of mass that we can use easily. These things we are working on. I don't know about the timeline, but yes, as solar and biomass increases and as we get our line, the cost of power should come down. Meanwhile, whatever our higher cost of power is, we are absorbing it and still maintaining a reasonably healthy margin.

Deepak Poddar: Overall, can one say that the current performance is sustainable? Any kind of comment that you can make on that?

Ravi Toshniwal: This is the thing about the headwinds that we are experiencing. All I am saying is that our feeling is that the demand that we got in the first quarter should be maintained in quarter 2 and quarter 3. However, this really depends on how nervous people get about a recession and how much they want to order and how much they want to really develop out of China and make sure that they use the opportunity of the recession to be able to move away from China. Sometimes, it is not possible to move away because simply you have too much demand and you can't go to a new supplier. We think of this as a positive right now. We have in the pipeline many products and samples that have been given to us from customers which they are saying if you guys are able to get right at what we were buying from everywhere – they are being very open with us to share all of the knowledge of what they were buying and how they were buying **(Inaudible) 21:14**. And the opportunity is now for us to take and make sure that those customers whom we, in the next 1 or 2 years, give these new products to really **(Inaudible) 21:25** and like our service. I think this is a service business now. China has done a great job in being able to service at high speed and prices the markets abroad and the biggest customers and I think we are learning how to do that. If we step up to the challenge, I don't see why we cannot do it.

Deepak Poddar: Why we can't sustain? Also, given the fact that our order book is full, right?

Ravi Toshniwal: The order book I must say is only full in garments. We are not yet seeing it in the fabric front and many times we find that even in the fabric front what is happening is, due to a bottleneck in garment capacity available, fabric orders come and don't get lifted for some time. This is something which maybe will go away as the garment capacities open up more globally, but globally there was a shutdown **(Inaudible) 22:20.**

I was saying that the capacity that we have in India is lower than what the capacities are available in China. Because customers are able to wait for us right now, we are able to give them enough goods that it manages the pipeline for them. I think it's a great opportunity, and hopefully because of this, we should be able to see that the demand continues although the global recession is there. In India in particular, demand is very robust. We are seeing the India demand for fabric is also good and for garments is good, and therefore, in the quarter as you see also, we have seen that whatever loss we have had in the export market has been more than made up by the Indian market.

Deepak Poddar: Sir, my final query is, if you see our cotton Futures is trading at a steep discount of 20% to 25% as compared to spot. So, there might be some expectation that the cotton prices might come down. So how will it impact our business overall – our synthetic yarn or….?

Ravi Toshniwal: I think the prices in cotton have come down but even prices in synthetics have come down. And we have seen that overall, now for the first time in the last 2 months or so, prices **(Inaudible) 24:09**, but till now as you saw it, prices of raw materials kept increasing, spinners kept increasing, the price of yarn, fabric price has increased but not as much as the yarn price increased and retail prices didn't increase as much. So, the retailers suffered the most. Now we see a reversal in trend where the retailers are getting a price where **(Inaudible) 24:39** will be falling and retailers have started to increase a little due to inflation. They are now capturing back all of the cost increase.

Moderator: The next question is from the line of Nisha Desai from Raga Securities. Please go ahead.

Nisha Desai: Sir, I had just two questions. Firstly, I wanted to understand what is that one factor which differentiates our company from our peers?

Ravi Toshniwal: I would say that the biggest factor for us is being able to make innovation at an affordable price to give you a product that is better than what the Chinese are doing, and which is still better than the Turkish prices to offer products that give value to the customers.

Nisha Desai: My other question is, are we going to focus now more on the synthetic yarn business, or will our focus be more on the fabric and the garmenting business?

Ravi Toshniwal: We do see that the synthetic yarn margins have been good for us, and we will continue to expand in this synthetic yarn business, and we will be utilizing more of our available capacities in finishing with some outsourcing.

So yes, the first focus is to maximize whatever we can get out of our synthetic yarn business. Then the fabric and garment are expanding as fast as we can.

Synthetic yarn business remains our prime focus and is one of the biggest generators.

Our yarn business continues to be the main driver of profitability – synthetic yarn – and we really do believe that synthetic yarn, in particular the dyed yarns we do, will be continuing to be having a good market as it is not really, the potential hasn't been completely exploited here. After that comes the fabric business, which is also growing, and the garment business is at this point really oversold but we expect also that the garment business cannot be grown beyond a particular scale fast enough. So, we will be focusing on growth first in spinning and then in garmenting and then finally fabric.

Moderator: The next question is from the line of Ashay Jain from Jain Capital. Please go ahead.

Ashay Jain: A few questions, starting with if you can just throw some light on the domestic demand scenario? And as you have mentioned in your opening comments that our order book is full until the end of the financial year, so where is this order coming from? Any specific regions?

Ravi Toshniwal: Ashay, I spoke specifically of the garment order book, not our fabric or yarn order book. And the garment business for us is not expected to exceed 300 crores in the FY23. Having qualified that, I can say that the garment order book is full from all of the retailers in India and we are talking about retailers who dominate the Indian space like for example the Arvind Group or the Madura Group as well as the brands of Reliance Retail, Lifestyle, and various other formal and smart casual brands of India, but we are talking about both the retail private label brands as well as brands like Arrow and Blackberry and others like that. So, the organized retail sector is where our order book is full.

Ashay Jain: The next question is, have we seen additions of any new customers and has there been any incremental growth from the existing customer base?

Ravi Toshniwal: Yes, there has been an incremental growth from the existing customer base, and we have seen a few new customers, but we are right now choosing which customers we can onboard as we are not able to handle more customers at the moment in the garment business.

Ashay Jain: Lastly, as you mentioned on yarn business, can you throw a bit more light on how will yarn business pan out going forward?

Ravi Toshniwal: For the yarn business as far as Banswara Syntex is concerned, I must point out that we do dyed yarns and mainly dyed poly viscose yarns and they are like a specialty commodity. There are not that many dyed specialty yarn spinners in poly viscose in the country. This is an area where there is a good demand from various segments of the business – whether it is knitting, weaving, home furnishing, and even some technical fabric applications. The demand has been quite robust and therefore we feel the need to add some spindleage and have earmarked some of our CAPEX around the yarn business where we are looking for a suitable site to put it up. We may not do it in Banswara because of the labor availability and various incentives that we may get in other locations.

Moderator: The next question is from the line of Pavan Nahar, individual investor. Please go ahead.

Pavan Nahar: Sir, can you please spell out the CAPEX that you plan in FY23, FY24, and whatever little visibility on FY25 and where it would be spent? Because, today I can clearly see that we are going to be investing more on the spinning side. In the past, we have discussed about investing in solar and I don't think we are planning to invest much into weaving and garmenting anyways does not require much and spinning is where we will be investing. So, can you please just explain and year-wise too?

Ravi Toshniwal: We are planning to invest around 200 crores overall CAPEX in the next two years and about 100 crores will be in spinning and 100 crores will be within all of our solar plus weaving and finishing and other parts and garments included.

Pavan Nahar: Of this 200, how much would be spent this year?

Ravi Toshniwal: Out of the 200, the amount that we expect to spend this year will be about 100 crores roughly – maybe 100 to 120, that's the range.

Pavan Nahar: And this 200 will suffice as things stand today to meet our 250-260 crore EBITDA guidance for FY25?

Ravi Toshniwal: Correct, absolutely it will.

Pavan Nahar: And to which we need to add about 40 crores outlay that we have for acquiring a retail fabric brand, right?

Ravi Toshniwal: This is not accounted for in these 200 crores. That would be separate.

Pavan Nahar: That we should count another 40 will be invested….

Ravi Toshniwal: Yes, if we find the opportunity is right and whatever is good for it, we will absolutely be able to conjure up those resources. That's not a problem.

Pavan Nahar: So, it's yet not finalized? I thought you are like very close to it.

Ravi Toshniwal: We are close, but we have not finalized anything yet.

Pavan Nahar: Somehow, I see some softening in terms of the outlook of garmenting business maybe because of availability of labor or is it like demand?

Ravi Toshniwal: There was a labor shortage in the garment industry in the month of May. That is, I think normal. Everywhere across all industries, everybody experienced labor shortages in May and June. This has become a traditional thing in India now. That apart, the demand has been very robust and there is no softening of the demand in garments. We have been surprised by how strong it is.

Pavan Nahar: But then today, like you said we are unable to take orders. I just feel that there is a little…. or let us put it like this that the guidance says that 25% of our ballpark FY25 should be 400 crores of garment business. That is what we aspire for. And 300 this year.

Ravi Toshniwal: Correct, that remains.

Pavan Nahar: And then in another 2 years, 400.

Ravi Toshniwal: Correct, there is no change in that.

Pavan Nahar: And when we say we will invest 100 crores into spinning, can you please elaborate a little more?

Ravi Toshniwal: We want to continue with synthetic spinning in terms of the specialty synthetic yarns of polyester and polyester blends in dyed and raw white both and this we will think about different locations. We are examining right now 2 to 3 different locations to see which is the best one suitable for us. Hopefully, we will come to a decision in another month or two and then begin.

Pavan Nahar: The yarn that we will make is what we already make, nothing different from what we are making in terms of the usage?

Ravi Toshniwal: Absolutely.

Pavan Nahar: I recall we had some plans that we would be investing into some sportswear kind of…. Weaving, was it? I am forgetting that there was a plan to invest into some new category.

Ravi Toshniwal: This is the sportswear garments we are talking about. And in our garmenting, we were talking about knitting in particular and we were saying we will be investing in knitting that allows us to use more sportswear applications and athletic leisure applications. This we will do. This is part of the 100 crores that we are planning in weaving and knitting and finishing and all of those parts. It doesn't take that much investment. Also, we have located a lot of capacities already invested by people where raw white knitted fabric is available and all we have to do is piece dye it.

Pavan Nahar: So, 100 crores will go into spinning. How much will be solar again if you may remind us?

Ravi Toshniwal: I don't know the solar part yet because we have already put in about 4.5 megawatts. We want to try and conclude another 4 to 4.5 megawatts as we go along in the next 2 years. Provided we get the right price breakup for it, we will go ahead and do that.

Pavan Nahar: So, 200 is what is the CapEx for this year and next year as things stand today?

Ravi Toshniwal: Correct.

Moderator: The next question is from the line of Dipti Kothari from Kothari Securities. Please go ahead.

Dipti Kothari: My first question is that who are our key customers for garmenting business? And are we looking at expanding our product portfolio?

Ravi Toshniwal: Dipti, we have both customers in the domestic and the export business. In the domestic part right now, it is growing much stronger, and we have all of the brands like Van Heusen, Louis Philippe, and others from the Madura fold. We have all of the brands which are coming in like Arrow and Vanheusen and the brands of Blackberrys and others in India plus all retailers like Reliance Retail, the brands which are associated with Lifestyle and Lifestyle Retail and Shoppers Stop and many others including Tata Trent. All of these big retailers and big brands who do sport casual and smart casual are all with us as our customer base in India. In the export base, we have customers like Marks & Spencer and NEXT in the UK and now the growth is happening in the US market where customers are wanting to onboard, but we have to onboard them slowly as the capacity is not really available for them yet.

Dipti Kothari: What will be the growth drivers for fabric and garment business?

Ravi Toshniwal: The growth driver is India's story that you can get good value and better products than what you are able to get from China in the synthetic garment category from India. And this has never happened before to the extent that it is happening now. The ecosystem for synthetic garments out of India as a whole – right from yarn to fabric availability, trims and garmenting capacities – has evolved and continues to evolve.

Dipti Kothari: Sir, Q1 historically is a sluggish quarter but the numbers this time were surprising. Can you throw some light on the reasons behind the strong Q1?

Ravi Toshniwal: There is no special reason other than the fact that there has been demand which has been good enough for allow us to pass on the cost increases we had. On the cost front, actually we had a lot of headwinds but yet we were able to maintain the margins in Q1 and we are only hoping that the recessionary headwinds do not impact us, but to some extent, we are expecting that it will. That is why we don't know what will happen in Q2, Q3, and Q4. However, right now, Q1 was good.

Moderator: The next question is from the line of Rishikesh from RoboCapital. Please go ahead.

Rishikesh Oza: Sir, my first question is, what is our gross debt as on Q1 FY23?

Ravi Toshniwal: It should be 320 crores about.

Rishikesh Oza: Sir, my second question is, when we say around 1,600 crores of revenues and 15% to 17% of EBITDA margin by the financial year '25, do we assume that yarn prices would remain stable?

Ravi Toshniwal: There are several assumptions. The margins on the yarn prices should remain stable. Prices may go up or down depending on the raw material scenario. We have to see still what happens on the exchange rate. The broad assumption right now is that we are on a growth trajectory for specialty synthetics and continue to be a large player in this in India. We are one of the largest in this segment, and given that specialty of ours, we should be able to continue to grow as long as there is a market.

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

Anant: Just wanted to understand, on the yarn side and on the fabric side, what are the capacity utilizations right now?

Ravi Toshniwal: On the yarn side, it is like more than 95%. 90% plus at least. And on the fabric side, as far as finishing is concerned, we probably are only at about 60% to 70% on finishing. Weaving capacities are quite used up, although we are buying now grey from outside or we are getting job work done outside or knitting done outside because our capacity is both for knitted fabric as well as woven fabric in finishing in synthetics.

Anant: And that is where we are going to add more capacities?

Ravi Toshniwal: That is the easiest low-hanging fruit for us to get more turnover by simply using our finishing capacities and buying greyish from outside.

Anant: The second question is, from what you said in the last con-call, I do remember you saying that you are looking to get into seamless garmenting.

Ravi Toshniwal: We said we were getting into knitting, not seamless garmenting. I think you are confusing us with Sangam. Sangam are the ones who are in seamless garmenting, not us.

Anant: So, we are not getting into seamless, but are we working on…. You said something on the athleisure side which is like….

Ravi Toshniwal: Yes, correct. Athleisure is what we did say, and this is based on knitting, and we are making fabric which many of our customers even in India like, for example, Benetton in India are buying a lot of our fabric in knits which they use for kind of athleisure sports casual fabric. These are some things where we also have international customers like Uniqlo and even H&M working with us on those.

Anant: On the garmenting side, is it like we do garmenting from the fabric that we manufacture ourselves or is the fabric outsourced and then we make the garment?

Ravi Toshniwal: It is both. About 80% of the fabric, we have is our own and 20% we buy the fabric and make garments. Increasingly we are also now buying more fabric from outside and doing garmenting. That should also help our turnover increase.

Anant: By when do we expect our power cost to rationalize? Because, right now, this quarter is probably the highest, 55 crores, in terms of power and fuel costs. So, when do we expect them to rationalize? Secondly, what would be an ideal number for us there for the current capacities?

Ravi Toshniwal: Power cost is already rationalizing a little since coal prices have begun to drop and as we also have started some biomass. However, this continues to be a challenge and I think it will take 6 months to a year before it completely becomes what is on par with our competition.

Anant: And what would that be like for example how much do you think it will drop? 20% to 30% from where it is right now to be at par with the competition?

Ravi Toshniwal: It is difficult for me to put a number on it right now. I don't know what exactly. We will have to check up. If you call back our CFO or something, maybe he can give you that information later.

Anant: As an analyst, I just want to work out the margins as to how much it would….

Ravi Toshniwal: There is some margin there which we have but I don't really remember the number. In this quarter, the power increased by about I think 5 crores. We expect that 5 crores increase will not be there next quarter. It will be probably leveled out. We won't have more and may go down slightly.

Anant: And there is no reason for us to pass the reduction?

Ravi Toshniwal: We are building it into our price and taking it back from the customers to the extent we can. And fortunately, the market has been good enough to allow us to absorb this increase and still get a healthy margin. So, so far, we are doing okay. Currently the power cost is a direct function and directly proportional to coal price. If coal price goes down, this cost will not go up anymore and continue to come down.

Anant: And we also had plans of getting from the grid, right?

Ravi Toshniwal: Correct. We are not able to take 100% power from the grid. Only 50% of our power is possible from the grid with present connections. So, we have applied for a line and that line has to be drawn from the substation and this is to come through the city. This is a bit of a challenge and that is why it is taking a while to make an underground cabling operation.

Moderator: The next question is from the line of Kanika Kothari from Max Trade. Please go ahead.

Kanika Kothari: Can you please throw some more light on the specialty products like the piece type products and high-end wool fabrics whereas you mentioned we have seen more demand?

Ravi Toshniwal: The piece type products are products now of specialty polyesters mainly where we are talking about, high-twist polyesters, which give you a very good performance with stretch. These are the kind of fabrics that are now used in many of the top brands of the world and these kinds of fabrics require us to have the greyish available from which all yarns are available in India and weaving capacity is also plentiful. What is missing in India is the piece dyed capacity that we have. We have the necessary expertise for this, which we have worked on in learning with our French partners and with our Portuguese partners and the Europeans in general in the past. This is the area where we are thinking that there will be a very good demand because China was the one that dominated the piece dyed polyesters for so long, 1) because the price of the filament yarns and polyester fibers in China was lower, and 2) because they had many more piece dyeing equipments and did it at scale.

I think we should be pretty good at it now considering that the raw materials are on par or even better than China prices and we have capacities that have come up in the country that allow us to do piece dyed.

Moderator: As there are no further questions, I would now like to hand the conference over to Mr. Ravi Toshniwal for closing comments.

Ravi Toshniwal: I would like to thank all of the people who attended this earnings call. Thank you for your guidance and your support of our company. We continue to work on developing better name for India in the global market and to use this opportunity to be able to make some headway in being able to be an alternative available from India to provide value-added specialty synthetics. Thank you everyone and look forward to meeting you in the next quarter with hopefully similar results. Let us see how things go and let us hope the world remains safe for all of us considering all of the headwinds that are happening. Thank you.

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