

BSL/SEC/22

16th February, 2022

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

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

Scrip Code: 503722

Symbol" BANSWRAS"

Subject: Transcript of Q3& 9M FY22 Earnings Conference Call held on 8th February, 2022.


Dear Sir,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Kindly find enclosed a transcript of the **Q3 & 9M FY22 Earnings Conference Call** held on **Tuesday, 8th February, 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**


(H.P. KHARWAL)
Company Secretary & Compliance Officer
Membership No. ACS 28614
Encl: a/a



BANSWARA SYNTEX LIMITED

CORPORATE OFFICE

5th Floor, Gopal Bhawan, 199, Princess Street, Mumbai - 400 002

Tel: +91 22 66336571-76 | Fax: +91 22 2206 4486

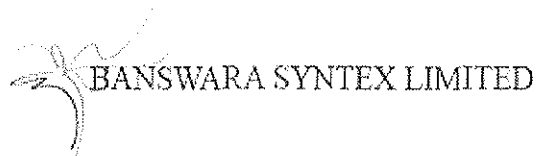
Email: info@banswarafabrics.com

REGISTERED OFFICE & MILLS

Industrial Area, Dahod Road, Banswara - 327 001 (Rajasthan)

Tel: +91 2962 240690 - 93, 257676 - 81

Email: info@banswarafabrics.com

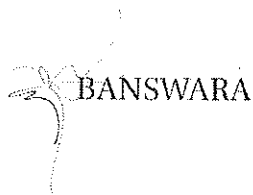


**“Banswara Syntex Limited
Q3 FY2022 Earnings Conference Call”**

February 08, 2022

Disclaimer:

This document is subject to errors and may or may not contain words which have been included / omitted due to human error while transcribing the conference call. Any and all information should be verified with the company by the reader.



**MANAGEMENT: MR. RAVI TOSHWAL – MANAGING DIRECTOR -
BANSWARA SYNTEX LIMITED**



Banswara Syntex Limited
February 08, 2022

Moderator:

Ladies and gentlemen, good day and welcome to Banswara Syntex Limited Q3 & 9M FY2022 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 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 Mr. Ravi Toshniwal – Managing Director of Banswara Syntex Limited. Thank you and over to you, Sir.

Ravi Toshniwal:

Thank you. Good afternoon everyone, and welcome after a long time to our Q3 & 9M FY2022 Earnings Conference Call for Banswara Syntex Limited. I wish that each one of you and your families are healthy and if you have been through the omicron third wave, have recovered quickly without any significant health problems.

I am joined on the call by SGA, our Investor Relations Advisors and I hope everyone has had a chance to go through our updated investor presentation which we uploaded on the exchange and also on our company website.

For the benefit of the audience who are joining our earnings call for the first time, I would like to give you a quick overview of the company followed with a review of the financial performance during the quarter and the nine months of the current financial year.

Banswara Syntex is a vertically integrated textile company which started in 1977 specializing in three focus areas. The production of yarn - synthetic yarn & poly wool yarn, fabric and ready-made garments. Our focus has always been on the dress up clothing and on more value-added suiting. Over the years, we have forayed into many markets in over 50 countries for exports including the US, UK, Canada, Spain, the developed countries in Europe, Germany, Japan, France, UAE and Turkey. We have always been a product oriented company with innovation as an important ingredient of our offering.

We have diversified our offerings in textiles looking to the changing choices and the market conditions. In this respect, we have moved from dress-up clothing to a little more smart casual and offerings which are based on the fact that a lot of people now are working from home and require what is called as more comfortable clothing. And in spite of our not being



Banswara Syntex Limited
February 08, 2022

primarily in the cotton sector, we have been able to achieve within the man-made and poly wool business a more relevant offering for the present times.

Further we also expanded our technical fabrics, making automotive fabrics and other technical fabrics, which are being supplied to the government in defense. Due to a varied and highly specialized product range, we are able to service a few very good customers in the domestic and international fashion brands and we are also integrating automation into our process as well as SAP software and all latest technologies in our factories to produce the high quality product and ensure speed and reliability for our customers.

Coming to the financial and operational performance of the company, this year has been definitely better for us. We saw that the third quarter is more or less similar to our second quarter. We were expecting to be better, but there has been pressure on this operating margin due to a substantial increase in our power and fuel cost. This increased by almost 13.5 Crores over the last quarter.

For the period of nine months ended December 2021, we have been able to increase our capacity utilization across all of our three key segments - yarn, fabric, and garments. Our production of fabrics and garments increased by 74% YoY and 121% YoY respectively in 9M FY2022 as compared to 9M FY2021.

Our total revenues have increased by 54% year-on-year in the nine months of FY2022 to Rs.833.8 Crores. Our EBITDA has increased by 66.2% year-on-year to Rs.87.6 Crores. This is primarily due to our higher margins in the garment and fabric business. The current EBITDA is at about 10.5% of our turnover. The increase in the business of fabric and garment has helped to partially negate the high impact of our increase in power and fuel cost, which increased significantly in this quarter.

The PAT for nine months FY2022 stood at Rs.27.3 Crores as against a loss of 2.9 Crores in the nine months of FY2021. For Q3 FY2022, proportion of the value added business, which includes fabric and garments, has increased to 49% of the total sales as compared to 47% in Q2 FY2022.

At present if you look at the nine months altogether, we are about 47% of our sales in fabric and garment and 53% of our sales in yarn. The demand from export market increased marginally during the current quarter. We were expecting a much higher demand however the third wave dampened that demand from the export to an extent in Europe and USA.



Banswara Syntex Limited
February 08, 2022

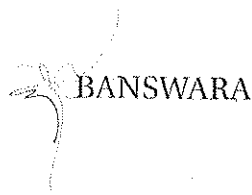
The share of exports increased to 44% in quarter three FY2022 from 40% in quarter two FY2022; however our EBITDA margins were impacted as mentioned earlier due to the power and fuel cost. This has been mainly due to the coal prices rising exorbitantly. The PAT for the quarter stood at Rs 12.2 Crores as against Rs 11.7 Crores in the previous quarter.

Now coming specifically to this increase in the power and fuel cost. We have a peculiar situation in that. We are forced to use our own thermal power plant and generate up to 300,000 units internally due to the connection that we have from the Rajasthan State Electricity Board being a 33 KVA connection on a rural feeder and the quality of power not being stable enough in that connection. This leads to us having to rely on our own generation of a consistent energy through the thermal power, and this was something that we have been forced to use and not switch off our power and revert to the state electricity board until we get a line which is better and this work is already on and we hope that soon we will have consistent power available through RSEB; however this will take time as the line is being worked upon.

In the last quarter how due to the runaway coal prices we had an increase of Rs 13.5 Crores in power cost alone and in fact, after this increase also we have been able to achieve similar profits in this quarter, which means that our operating margin was much better.

For your information, traditionally in the past, Banswara has been doing almost 58% of its turnover in fabric and garments in FY18 & FY19. And so also in FY20, we did 58% of our turnover in fabric and garments whereas at this moment we are at 47%. So we still have a gap of almost 10% to 11% from our normal segmental revenue that we get in fabrics and garments as the fabrics and garments revenue has not increased as much due to our being in the formal clothing sector primarily.

We believe that the market however continues to be good and increased cost to an extent are being passed on. We are hopeful that with some coal prices stabilizing the power and fuel cost will correct sooner or we will move to the RSEB power as soon as the connection is stabilized. Going ahead, we are confident on the industry growth and we believe that Banswara is best placed to capture a large pie of the opportunity arising when the latent demand for dress-up clothing is addressed. People are coming back to social gatherings, the marriages are increasing, ceremonial clothing is back in demand, and we see that the order book position remains good and the business sentiment and business outlook remains positive both in the domestic and export markets.



Banswara Syntex Limited
February 08, 2022

We have never wavered from our belief in the kind of fabrics and garments that we produce and our yarn quality that supports it. The yarn business is experiencing a very, very good buoyant demand at the moment; however it seems that the fabric and the garment demand is also coming back with equal vigor.

The order book visibility is high in fabric and garment and we are focusing on improving capacity utilization at these segments. I would like to say that many of the cost reductions we have achieved in this COVID period in the last two years, will be permanent, and we have a leaner cost structure. We have reduced significant portion of employees, a higher productivity per employee has been achieved.

We agree that our recovery is taking a little longer than many others who have been in the cotton segment. Primarily in the cotton business, there has been a boom due to the fact that the Chinese cotton is not preferred in the USA and in many other countries with the concern that they have on human rights violations. This did not happen in synthetics, however the synthetic demand due to the high prices of cotton now stand a great opportunity and we see that the demand in synthetics is every day increasing and as soon as this third wave part is now, which we hope is getting over, we are seeing the pickup already in our order book.

Now, I think that the recovery for us as compared to the casual sector, has been a little bit slower, but we expect that this will soon catch up. So, I think that is all I have to say for now and look forward to hear from all of you your questions and I am happy to answer what I can. Thank you everyone.

Moderator:

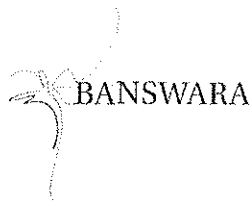
Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Yash Agarwal from JM Financial. Please go ahead.

Yash Agarwal:

Hi! Good afternoon Sir, and congrats on a good set of numbers. My first question was that if I see quarter-on-quarter, we mentioned that the utilization of fabric and garment went up from 67% & 51% to 71% & 54%. Then why there is a quarter-on-quarter decline in revenues, that is something which I wanted to understand.

Ravi Toshniwal:

The decline in revenue from the last quarter is very marginal, I mean, we are talking about the decline from Rs 312 crore to Rs 307 crore. That is hardly significant in that sense because we had a lot of goods, which are produced and not lifted in the fabric and garment business due to the third wave. We had a lot of postponements on delivery, so we could not translate it into the actual turnover.



Banswara Syntex Limited
February 08, 2022

Yash Agarwal: And what would be the utilization currently of these fabric and garment units, are they further higher or they are at that level.

Ravi Toshniwal: So in Q4FY22, the utilization has improved even more, and that is why I was mentioning that our target is to get to 58-60% of our turnover in fabric and garment, which at present is at 47%. So this can be achieved when right now our garment utilization is I think close to 85% and our fabric utilization is close to 75%.

Yash Agarwal: And when do you see that happening, the utilization going up to that level.

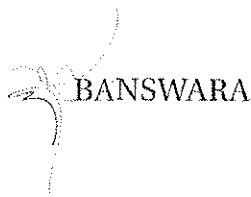
Ravi Toshniwal: This 75% in fabric utilization at the moment is expected to go up to 85-90% from the next year onwards. So let us say by FY22-23, we definitely hope to achieve this.

Yash Agarwal: Also given the fact that coal and all costs are moving up substantially even as we speak. What sort of price increase are we able to take on the value-added segment and is it immediate or do you feel there will be a lag in this?

Ravi Toshniwal: To some extent we have been able to get 5-7% increases across our garment and fabric prices and yarn prices have even been more elastic and we have been able to increase yarn prices quite significantly. So, we are not sure if the yarn price will continue to be as buoyant as it has, but definitely now, inflation as a factor in the garment and in the fabric, is being accepted by most customers and they are paying higher.

Yash Agarwal: And also, what is the Capex plan for the next 12 to 24 months or we are just focusing on reducing our debt even from here.

Ravi Toshniwal: Yes, the Capex plan we had earlier communicated as well. It is about 80 Crores, and this is a Capex which is really being used to make our sustainability initiatives, our power situation, which will be a combination of the solar power as well as making sure that we have the SEB power available rather than coal. Moving away from coal sustainability of all our initiatives to ensure that the water and air quality that we use, the carbon footprint is reduced. So, there is a lot of investment happening in those areas plus there is a modernization and a little bit of maintenance Capex. So that is all that we are doing there is no more Capex planned. Capacity already exists both in the fabric and garment division to increase turnover. We have only to make sure that our customers when they come back are happy to take from us, moving to the China Plus One strategy for a lot of the customers is a reality now, and the only challenge has been that the demand that they had for our kind of



Banswara Syntex Limited
February 08, 2022

product both in garments and fabric was low due to this third wave. Once this clears out that demand should increase substantially.

Yash Agarwal: And has there been any impact on the domestic demand for garments and fabrics in the current month in the omicron month or it has been relatively at the...

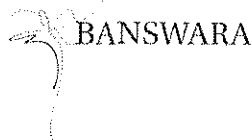
Ravi Toshniwal: The domestic has been slightly down, but not much in fact it has been much more robust than the export demand. And we see that the domestic sentiment towards whatever they want to buy from us all our key customers whether it is the Aditya Birla Group and Madura or Arvind or Raymond's everyone. All the brands in India are now looking at increasing their exposure with us.

Yash Agarwal: Sure. Thank you so much for answering all my questions.

Moderator: Thank you. The next question is from the line of Bajrang Bafna from Sunidhi Securities and Finance. Please go ahead.

Bajrang Bafna: Congratulations for a good set of numbers Ravi Sir. Just on the couple of questions, one you rightly pointed out that power was the major issue during the quarter where we have to lift the high coal prices and that has impacted our margins and you are already on course to go the cost normalization may be in next couple of months. But you have already indicated that there is some investments which is going on the solar power side. So I just want to understand from a broader strategy perspective that if we try to compare India to China on this energy cost side, if we come to the solar power used to a great extent, probably will be more competitive we live in other parts of the world in terms of energy cost utilization. So when can we expect this solar to be meaningful for our company and will be getting major chunk of our power requirements of the through solar, if you could highlight that and what sort of savings that you are looking at, it will be really helpful.

Ravi Toshniwal: I think you raised a very important point about the competitiveness of India to China and particularly in the power part because power is a major cost of our textile business. So we are seeing that now we had fortunately ordered all our solar power for about 4.5 megawatts just before many of the increases happened in the solar panel cost. Solar panel costs have gone up, so actually one now wants to put up solar power it is a little bit more expensive than what it was maybe a year ago. However, even now the return on this is significantly good and maybe about 3-3.5 years for all the money that you put into solar you get a return back at the current power prices. We have put in about 18 Crores currently which we will be spending up to March 2023 in which we will be getting around 4.5 megawatts of solar



Banswara Syntex Limited
February 08, 2022

power and we will continue to invest to basically see to it that we use a solar power in the day and in the evening and once the sun is down, we are able to buy cheaper rate electricity from the state electricity board. So, the good part about solar is that it is available during the day when the energy costs are higher and when it is not available, you can take a lower power cost of the grid. And this is exactly the economy we wish to achieve and move away from coal. So, most others have been better than us in moving away from coal faster. This has been a weakness which we acknowledge and we are now on the job to make sure that this weakness is removed mainly because it is much cheaper now and to buy from the SEB and it is not our business to really produce power, our business is to remain sustainable and be able to give customers the kind of product we have without an impact on the environment. So we have already made a big initiative in using recycled polyester where Banswara is ahead of most others in this curve and our customers are appreciating that we are able to give a high quality product even with recycled fiber and we have solved many of the challenges that are associated with using recycled fiber to produce high quality products. So I think that sustainability means the solar initiative as well as having a clean footprint on your water and other carbon footprint is important and for this we need to stop coal.

Bajrang Bafna: So Sir, this 4.5 megawatt I hope it will come by the end of this financial year. Are we going to further invest in the solar side maybe in FY2023 or in FY2024 to get our requirement more from solar.

Ravi Toshniwal: Yes we will, we will continue to invest in that. And as and when panel costs may stabilize and whenever we see the opportunity we will continue to invest we have enough land available on our rooftops itself. We have enough within a hundred acre complex that we have in Banswara to be able to theoretically install a capacity of close to 24-25 megawatts that exists and if we do that then more or less during the day at eight hours, one could literally run on solar power.

Bajrang Bafna: You said 25 to 30 megawatts will be sufficient for us to meet the complete requirement for us.

Ravi Toshniwal: Absolutely but the point is that it only gets used for eight hours a day.

Bajrang Bafna: Yes. That I got in the evening you can get that SEB power to...

Ravi Toshniwal: Correct. So that is a good balance which most mills have done in fact much more ahead of us, we have been slow on this curve.



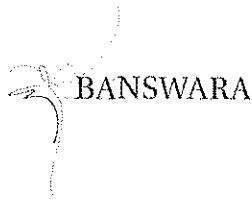
Banswara Syntex Limited
February 08, 2022

Bajrang Bafna: So after this 4.5 megawatt what will be the total solar that we will be having or this is the first one that we are doing.

Ravi Toshniwal: This is the first major one we are doing, we have done only about 350 kilowatts so far just as an experiment before.

Bajrang Bafna: And my second question pertains to again on the China side as you also commented on your opening remarks that on the cotton side that is a complete ban from US because of the those human rights issues, but the similar thing is not applicable to synthetics yet, but in the current season there are two things which I want to understand from you. One is that, when the cotton prices have gone significantly higher right now, my understanding is that the mixing of synthetic to the cotton is going to be higher to minimize the cost impact that most of the garment manufacturers are facing at this point of time both on the domestic as well as on the global side. My second question is that what exactly do you see from a broader strategy perspective for India that we become more and more competitive vis-à-vis China when we will talk about synthetics especially.

Ravi Toshniwal: Even in synthetics the largest field of course is 100% polyester filament India and in 100% polyester filament, India has become significantly competitive also with large capacities existing. We have one of the largest polyester fiber capacities also for spun polyester yarn and spun poly viscose blended yarn. Also we have Grasim which supplies the viscose which is the largest producer of viscose in the world. So as far as raw materials are concerned whether it is filament yarn, polyester fiber or viscose fiber, we are very strong, and this is an advantage for us using. I mean, there are a few key players in India, Banswara Syntex being one of the largest units, that is doing fiber dyed yarns and fabrics made from fiber dyed yarns whose main applications are in the suiting business and uniform business where we have an advantage over piece-dyed goods that China does, when you do piece-dyed you get color continuity challenges and color fastness issues. Our product is inherently superior to the Chinese product in fiber dyed and this is the reason we are trying to use this as a lever to be able to go to the customers. Traditionally we used to be more expensive than the Chinese when we have now examined our costs after the COVID and we have reduced our cost structures become leaner, we find that we are able to match the Chinese prices and still get an EBITDA margin which is good for fabric and for garment. So we find now that we do not need to do more than offer the same prices china is offering, offer the lead time that they are being able to do and the customer will come to us. They are giving us the opportunity of course they would not give us a better price than China and of course they would not give us any advantage in lead time, they will want both from us. And I think we are able to find a way to reduce and we have reduced our lead times from 60 days to 45



Banswara Syntex Limited
February 08, 2022

days for the fabric. We are able to as a vertical mill offer a packaged garment from our Surat and Daman unit and deliver into the Bombay port very quickly within another 30 days. So in 75 days we are able to get a garment onto a ship and moving for our western markets and even Japan and Korea. So we are able to really compete with China effectively with a good planning and with material and raw material available, I do not see why, we will not be a significant competitor to China in the synthetic business.

Bajrang Bafna: Thank you.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Securities. Please go ahead.

Pritesh Chheda: Sir, in one of the previous calls in December, we mentioned that we were running at about 140 Crores of revenue per month run rate. I am just wondering when the quarter numbers were there.

Ravi Toshniwal: 140 Crores you said.

Pritesh Chheda: Yes.

Ravi Toshniwal: I do not think we gave 140 Crores anytime during this year you are talking about pre-COVID.

Pritesh Chheda: No, communication was about a slightly higher revenue run rate in the past quarters communication. So I am just wondering is there any challenges that we are facing in terms of the revenue ramp up and second this asset that we have of yarn is any case 90% plus utilized, but combined asset of yarn plus fabric plus garment, what kind of revenue potential do you see here, if you could help us understand. When would you achieve that revenue.

Ravi Toshniwal: Yes, I mean, Rs 140 Crores revenue per month we can probably get in the next quarter but that will be more for FY2023. Right now we are thinking of closing at about a revenue of Rs 1150 crore and we have in this financial year 2022 and we are right now at Rs 822 crore. So, 822 to 1150 is what we will achieve in the next quarter. So I think that run rate is already a little bit better than what run rate we have been achieving so far or Rs 330 crore for the quarter as compared to let us say Rs 310 crore or Rs 307 crore, that we have got in the last two quarters that is about Rs 110 crores. From Rs 110 crore to get to Rs 140 crore like I said right now our fabric division is at 75% utilization and the garment is at 80-85%. This will ramp up and we will have our garment utilization have increasing both in the



Banswara Syntex Limited
February 08, 2022

number of jackets we make and value added product we make. Even our worsted safes and type of product we have in fabric is improving. So, the challenge has been that the more expensive fabrics have been selling less, since we have been selling less suits. Now we are seeing the trend reverse and we are getting more orders for wool and for poly wool and for more expensive fabrics that are coming into suits. So, we can see that the revenue ramp up will improve from the next quarter onwards.

Pritesh Chheda: And what happens to the margin because some years back we were doing 12%, 13% margin.

Ravi Toshniwal: Right so, I mean, we expect to get back to 13% again for the next year for sure and then eventually our target is to get to 15% in two, three years from now. This is this is where we remain and continue to be focused on our strength in poly viscose and poly wool and synthetics. The cotton business is growing a lot, but this is not our field, our field remains with this.

Pritesh Chheda: My last question is, with maintenance Capex only outlined by us and few Capex is like a solar power. What happens to the debt number over the next three years.

Ravi Toshniwal: So the debt will continue to drop and we are expecting that we will be debt free to some extent, I mean, with a minor amount to be given because we are doing some modernization will be always borrowing. But overall our cost of interest as well as our cost for whatever finance we use will continue to drop.

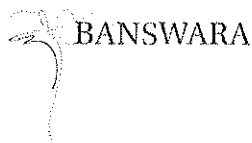
Pritesh Chheda: So your Capex will be less depreciation you have a Rs 50-55 Crores depreciation number.

Ravi Toshniwal: Yes, so Capex is going to be this year a little bit more Rs 80 Crores because we are doing significant amount of power in the solar and whatever cost we have to improve the infrastructure. But our credit rating already improved and we have now moved to A- and that has already improved our interest costs that we are paying and I think that more or less they will be on par the depreciation and our investment.

Pritesh Chheda: Rs 80 Crores is for FY22?

Ravi Toshniwal: FY23 not FY22.

Pritesh Chheda: FY22 & FY23 both years put together or FY22 80 Crores and 2023...



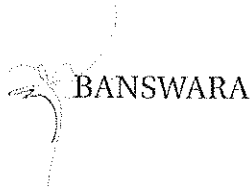
Banswara Syntex Limited
February 08, 2022

- Ravi Toshniwal:** FY2023.
- Pritesh Chheda:** FY2023 is 80 Crores.
- Ravi Toshniwal:** Correct and the initiation will be maybe around 50, 50, 60 something like that it is a little bit more.
- Pritesh Chheda:** And Sir, debt number at year end then your opinion should be what.
- Ravi Toshniwal:** About the same level as we are now so it is about Rs 200-250 Crores or so.
- Pritesh Chheda:** Just one clarification, this power cost impact will continue further right.
- Ravi Toshniwal:** It will continue for at least a couple of quarters maybe if the coal price does not go down.
- Pritesh Chheda:** And then it should with a better utilization of the asset you should see...
- Ravi Toshniwal:** It is a double benefit. One will be the reduction in the power cost which will equalize us to the state electricity board cost and we will be where everyone is. Right now, we are getting a better operating margin but our cost of power being more expensive we are having to give away that. So this will take about six months to neutralize or if the coal cost goes down we will be lucky.
- Pritesh Chheda:** So this solar power assets will come when next year.
- Ravi Toshniwal:** Solar power will also not take care of the full thing what we have to do is move to the state electricity board power away from our 33 KVA to the 132 KVA connection. That is in work and it takes a little bit time with RSEB to do that.
- Pritesh Chheda:** And what is your total consumption of power at the Banswara complex.
- Ravi Toshniwal:** We consume around roughly more or less 450,000 units a day.
- Pritesh Chheda:** If you have to convert into megawatt usage per annum.
- Ravi Toshniwal:** The megawatt consumption will be roughly around 25 or 27 MW something like that.
- Pritesh Chheda:** Out of that you are putting the first 4.5 megawatt.



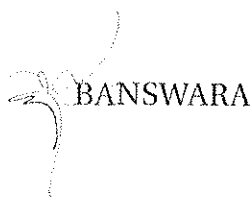
Banswara Syntex Limited
February 08, 2022

- Ravi Toshniwal:** Correct. So it is just maybe about 20%.
- Pritesh Chheda:** And this solar power will come in the year end right or next year.
- Ravi Toshniwal:** No solar power should start in April. April, May it will be beginning the 4.5 megawatts.
- Pritesh Chheda:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Jainis Chheda from Spark Capital. Please go ahead.
- Jainis Chheda:** Good afternoon Sir. I just wanted to get an understanding from the industrial perspective that China Plus One story which is happening right now in the textiles, is it only for the cotton yarns or is it benefiting companies like you who are into synthetic or blended yarns as well.
- Ravi Toshniwal:** It is showing a benefit to us as well in terms of the demand from both the US and European and customers all over the world. The difference is that there is no particular ban, so China continues to be a competitor in the synthetic part of the business. However the supply chains are moving more towards Bangladesh and Sri Lanka and India to supply the garments. So this is why we are in a better position to provide if we can match the price of the Chinese, the goods from the region of the world. And I think this is going to be a significant game changer where we can see that over this period of time as the treaties are playing out if we can have a FTA coming in with UK or if we can have something happening with Australia. So just like already we have an FTA with Japan and with Korea and we are seeing significant business increasing there because of the FTA already being operated for so many years and the interest moving away from China now. So, I think that there is it is only a question of maybe a year or two and you can see that the Chinese have moved out of many of the woolen worsted businesses because their own consumption domestically has increased and the capacities are not increasing significantly. The Chinese are not taking as much of an interest in the overall textile segment as they are in many other businesses. And I think there is no reason to assume that now synthetics is something where we will not experience the China Plus One working equally.
- Jainis Chheda:** If it is possible to give a number, what is the size of the market that is shifting out from China and how much of that is coming to India.



Banswara Syntex Limited
February 08, 2022

- Ravi Toshniwal:** Well all we need is maybe 2% or 1% of the shift to happen globally and because China controls I think around 36% to 37% of the global trade and we have maybe less than 5%.
- Jainis Chheda:** And in terms of value what would it be.
- Ravi Toshniwal:** In terms of value, I do not know, but it is significant amount of billions of dollars. So there is really no, I mean, if we got a 1% shift away from China we would be really floating in orders.
- Jainis Chheda:** Okay, thank you so much.
- Moderator:** Thank you. The next question is from the line of Niraj Mansingka from White Pine Investment Management. Please go ahead.
- Niraj Mansingka:** Hi! Thank you Sir for the opportunity. I just wanted to understand the demand of the yarn which is picked up as well as the fabric and garment. Do you think it is more on related to pent up or do you think it is more to do with the regular intake of demand.
- Ravi Toshniwal:** I would think that see the yarn business has a very good demand and even more so than our fabric and garment business. Primarily because a lot of end users for yarn now have got significantly higher demand than before. Like say, for home furnishing, mattresses and various other applications when people in the pandemic have increased consumption in those areas. The apparel business has overall gone down, but yet, we are experiencing, so we have not come back to our original apparel demand pre-pandemic. We have not yet experienced the pent-up demand. This is just a filling which is happening of the amount of stores which are now going empty and they are just wanting to fill back the goods into the stores the pent-up demand is yet to come in my view.
- Niraj Mansingka:** So then what has changed that the utilization is sustained at 90% because pre-COVID the margins was not as high as it right now. So wanted to understand...
- Ravi Toshniwal:** So in yarn, this is primarily because a lot of the yarn capacity that is globally there with China is not working anymore for whatever reason that capacity has been shut. A lot of the people never went back to work after COVID into the yarn business at all in China.
- Niraj Mansingka:** You are talking about PV yarn on that you are making right.



Banswara Syntex Limited
February 08, 2022

Ravi Toshniwal: PV, cotton, most of the yarns, even synthetic and poly wool yarns. The yarn capacity globally there is a shift in the yarn capacity utilization from China towards other countries.

Niraj Mansingka: So then it would imply a very high growth rate in the export orders in the yarn side. Is it a right statement?

Ravi Toshniwal: It is true.

Niraj Mansingka: But India does not have so much capacity. Then how do companies like you, how do you envisage going forward on that.

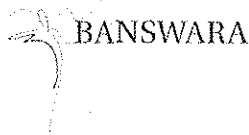
Ravi Toshniwal: So our capacity is almost we are producing 3000 tons of yarn per month in poly viscose and we produce about 150 tons in poly wool and all of it is specialty yarns which are dyed. So this is a significant capacity on any global level. So I do not see why we should increase further capacities right now even though the government is offering the PLI and all that. At some point, some of the capacities globally that are not being used at the moment will revive when the pent-up demand and when all of demand revive. So, we are being cautious in making sure that we improve the overall margin and type of product and type of customers we want to service. If we can do both those things there is without much risk in further investment, we will be able to improve our profitability and utilization.

Niraj Mansingka: If you have to put a number like say utilizing optimally most of the yarn and the fabric and garment what can be the revenue number on today's revenues, on today's realization.

Ravi Toshniwal: We are talking about Rs 1600 Crores is possible and that Rs 1600 Crores two years from now, we could have an EBITDA margin of maybe 15% and be at around Rs 240-260 EBITDA.

Niraj Mansingka: Can you just share some understanding of the prices of the yarn in the market how has it moved since end of quarter December and now just if you can give some color on that.

Ravi Toshniwal: So, I think that the prices of yarn have been moving even higher than the raw material price increases and this is because the demand has been significantly high and there is a shortage like you said the export demand also is there and domestic demand is also there. So there is due to the supply chain restrictions and material availability being low, people are willing to pay higher prices and I think this higher prices has been almost to the extent of 10% increase maybe about Rs.30 to Rs.35 a kilo has been increases which have happened in the last two three months.



Banswara Syntex Limited
February 08, 2022

Niraj Mansingka: And how much would that flow, is the full impact already there in the Q3 numbers right now it will come in the Q4 effectively.

Ravi Toshniwal: A lot of the impact will come in the Q4 because we did not manage to clear a lot of the stock of goods in finished products in fabric and garment where the lifting turned slow. So, all of that when it gets and we get our stock position down to a normal level, we will see that improvement in Q4FY22.

Niraj Mansingka: So then the margins can be a reasonable improvement in the fourth quarter right because of the current scenario.

Ravi Toshniwal: Yes, because we more or less the same margin. I do not see the big change between Q4 and Q3 in margin, but there will be better turnover overall and therefore the figures for Q4 should be slightly better than what we have had for Q3 for sure. Always we have been best in the last quarter.

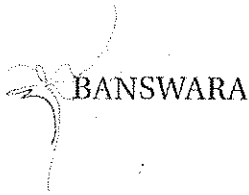
Niraj Mansingka: So last question, you do not emphasize yourself adding capacity in any of these products like fabric or garments say three years or four years down the line.

Ravi Toshniwal: We are adding capacity in knitting. And we are doing value-added knits in poly viscose and poly wool blends and this is where we are making some investments but it is not huge. It will be maybe Rs.8 or Rs.10 Crores in this kind of knitting and our finishing should be able to take care of it. So some additions in finishing equipment, some additions in knitting that is about what we are talking about. Once, we have achieved the Rs 1600 Crores turnover then we can think of a new Greenfield investment and we are expanding some capacity in our garment division. So the garment division we have restructured and we have added some more capacities because we see that the garment business will be important. And at that point we are also thinking now of making a foray into direct to consumer brands and we are looking at some brands that we may wish to acquire.

Niraj Mansingka: But was it envisage our larger investment and a huge timeline for that or just your thought on that.

Ravi Toshniwal: So, at this point we are not looking at making an aggressive investment with the PLI we are looking more at consolidating our EBITDA margin and making sure that whatever funds we have are deployed towards making infrastructure very robust.

Niraj Mansingka: Got it Sir. Thank you very much.



Banswara Syntex Limited
February 08, 2022

Moderator: Thank you. The next question is from the line of Sumesh Guleria from Green Portfolio. Please go ahead.

Sumesh Guleria: Hi! Sir, my question is on the joint venture side. So last year we sold some 10% stake to the Korean company, the automotive engineer company and suddenly after that my revenue went up from Rs 29 crore to Rs 63 Crores on the JV. So what exactly is happening in that JV and why exactly did we sell the 10% stake.

Ravi Toshniwal: Yes, so the 10% stake selling to colon was strategic because it allows us access to the Korean Chai Ball and all of the Korean makers. So it allowed us access to Hyundai and Kia and all of the motors that are being made by the Korean companies. So this is typically how the automotive industry works wherein they tend to favor certain companies to work with. So I think that is one of the reasons why the turnover we saw was increasing. So now we have access to some European as well as the Korean and some of the US makers on the cars. So, I think that the automotive industry the only constraint has been the supply of chips otherwise our automotive business would have grown even more and within this joint venture, we have also opened another unit now in Chennai. So I think there will be some growth happening but for the next 3-4 months, there are headwinds due to chip supply.

Sumesh Guleria: Historically this JV has not performed that well, I mean, it was most of the years for 7-8 years, it was loss making and last year it made a PAT of around 1.53 Crores. So what exactly can we expect in two, three years will it be contributing significantly to my significant amount of revenue or PAT.

Ravi Toshniwal: Not really that significantly. We do see that it helps our capacity utilization and that is why it is important for us in a period where in this whole last two years we were struggling to use capacity in the formal sector. This particular amount of fabric which we were producing for the automotive business at least kept us going and it fills that capacity hole.

Sumesh Guleria: So it is a more of an internal consumption so we are catering it to the JV.

Ravi Toshniwal: Absolutely.

Sumesh Guleria: My next question is on the Daman garment division plan. So, last time I read somewhere that you are planning for some larger campus in Daman. So to bring the entire garment under one roof. So what will happen to the Surat plant and what kind of Capex outflow we can expect over here and what is the current status of that outflow.



Banswara Syntex Limited
February 08, 2022

- Ravi Toshniwal:** See the reason is that, now we are consolidating our garment business for all of the compliances and having a factory which is compliant with all regulations when we have to service customers like Uniqlo and Zara. This was the reason to shift a lot of it to the unit in Daman. And Surat will continue to be an SEZ and as far as the SEZ rules are concerned if they change, it will help us if we are able to also sell from Surat into the domestic market because sometimes the domestic demand is higher and sometimes export demand is higher and we never know which one. So, if we can have the flexibility if the SEZ rules change that will be a bonus otherwise we continue to use the SEZ for the purposes of only export and domain as a flexible unit for both exports and domestic supply.
- Sumesh Guleria:** So any, I mean, significant amount of Capex we are doing there for the expansion. So can we quantify that the number and what is the current status of that.
- Ravi Toshniwal:** It is only about 10 to 15 Crores of money that has been spent in Daman and Surat, no more than that. So that is going to just allow us to get to a level where maybe we can get to 350 Crores of turnover in our garment business.
- Sumesh Guleria:** So for next year financial year 2023 right.
- Ravi Toshniwal:** I do not know exactly if it will be achieved in 2023 or maybe it will take a little another more six months or so to be able to get the better run rate.
- Sumesh Guleria:** So capacity per se if I may ask like how much capacity will be improved my total capacity under garment division because of this.
- Ravi Toshniwal:** So what we are doing is, we will have maybe about 400,000 pants per month and we will have up to about 70,000 jackets per month. And right now our ratio of jackets has fallen and the pants part is better in utilization so as soon as the value-added jackets part becomes back to that 60000-70000 figures, we will see that the EBITDA margin will significantly improve in the coming months.
- Sumesh Guleria:** No Sir, actually my question was like so this 4000 and 70000. So this is my capacity so once I do that 10, 15 Crores Capex in Daman so then what will be the additional capacity that I might be using.
- Ravi Toshniwal:** Not much. It will just increase my jacket capacity from maybe 60000 to 90000.



Banswara Syntex Limited
February 08, 2022

Sumesh Guleria: I have another last question if I may ask. So Uniqlo, Zara and H&M, you use the word strategic partnership especially on the Uniqlo side. So what exactly does that strategic mean and like can you give some insight on that.

Ravi Toshniwal: What we mean is that when you are talking about these large customers who are a billions of dollars of companies, that there Uniqlo for example has got a significant presence in India also which they have planned. We are wanting to be adopted as their mother mill for certain products in poly wool and poly viscose. And if that happens, we will be a global supplier to them for this product across all of the demand they may have anywhere in the world. So we are working towards that with them and trying to replace the Chinese products with what can come out of India.

Sumesh Guleria: And are we doing that with Zara and H&M as of now because the same terminology was used for Zara and H&M also.

Ravi Toshniwal: No at this moment Uniqlo is stronger and Zara and H&M have quit in the pandemic. So we are trying to revive the relationship after the pandemic they moved back to turkey in a way and tried to stay more closer to Europe. So, they have not yet been engaging in a active dialogue yet. We are hoping that they will come back post this whole settling down of the third wave.

Sumesh Guleria: And last question, any further JVs because there was talk like you will be entering into some strategic JVs with some companies in the pipeline. So any anything happening on that.

Ravi Toshniwal: No there is no plan for JVs in fact we are quite confident now that having learnt what we have from both the French as well as the Portuguese partnerships that we have had. We understand what is required be delivering European quality and to be able to make the kind of product that the customers want and there is no significant add-on by having a JV with a European customer we will only be giving away margin. So, we are going to continue on our own and address the customers directly and we do not see the need for the name to be European or adding another cost on that front.

Sumesh Guleria: Okay Sir, thank you. Thanks a lot.

Moderator: Thank you. The next question is from the line of Riken Gopani from Capri Global. Please go ahead.



Banswara Syntex Limited
February 08, 2022

- Riken Gopani:** Hi! Sir, thank you for the opportunity. Firstly I wanted to understand if I look at the segment-wise revenues historically. Still your revenues in fabric and ferment would be at least 30-40% lower than what you have achieved at the peak in the past. Now given China Plus story as well as now that the unlock has sort of achieved and the order books that you have, what visibility you have in achieving let us say fabric I think has achieved 600 Crores peak revenue in the past and 300 Crores for garment. What time frame do you think you would be able to achieve these peak numbers and surpass them going forward.
- Ravi Toshniwal:** We would say at the outset, it will begin to happen in FY23 and by FY24 we should definitely surpass it.
- Riken Gopani:** Okay. So apart from the fact that you mentioned that it is more to do with also our presence more being in the formal segment are there any other factors which have also impacted our ability to reach there, faster there and what other cotton players would have seen.
- Ravi Toshniwal:** No real other reason at all. It is just that our customers have been mainly the best of the suit people and the one who are more in the dress up clothing and this has always been challenging in the last two years.
- Riken Gopani:** While you did mention that you are sort of moving into the categories like casuals where there is a higher demand today. What would be the proportion today and could it be possible for you to expand that to a meaningful number in the medium-term.
- Ravi Toshniwal:** We are moving into more fabrics for pants with stretch and that stretch fabrics for pants and which go into chinos or into five pocket jeans. So that part is the segment which we have expanded considerably and maybe it is right now around 25-30% of our overall fabric production which used to be only maybe about 5-10% before. So this has helped us to move into a smart casual category. And I think it could go up to maybe 30-40%, but we do not intend to get out of the suit business we think that the suit business will come back it is just a question of time and people will be back to dressing up and getting back to work all over the world the way they used to. This is just a period which has been very unusual for the last two years in terms of the trends. Then there will be a nostalgia to going back to the suit I am sure.
- Riken Gopani:** And for you, this segment mix within a fabric or let us say going between suits or the smart casuals, does it change the realization or the margins in any way or is it sort of similar.



Banswara Syntex Limited
February 08, 2022

Ravi Toshniwal: The margins will not change significantly when you are talking about very casual clothing like knits or T-shirts or shorts and stuff like that, there the margins are lower. But as we are talking about smart casual to dress up and suits there is not significant difference for us.

Riken Gopani: Understood. I have one question on the export segment that is about 44% of the revenue in the quarter. Now this also in the past has trended at 46-47% in historical data points so with the current scenario what is it that sort of could drive this number higher are you seeing any reasons for this to look at 50-50 in the next one or two years if because in the past you have commented that turkey's devaluation does impact demand in some form is that causing any impact to market share or is exports a segment where you are looking forward to grow significantly. What is your outlook on that segment.

Ravi Toshniwal: Yes, I think the key to this lies in what happens in terms of the FTA's and preferential treatment that India gets all over the world as a supplier and it does not depend only on the treaties that happen, but also on the fact that strategically what Europe and what USA and what Japan and Korea want to do in terms of giving a portion of their business away from China into India as a package. Now we stand uniquely in a position where we can deliver the whole value chain right from fiber to garment in the value-added product from one company and this is there are not many companies like us at all who are able to do this and all this within the geography starting from where the raw material is produced like say viscose is at Nagda which is like about 100 kilometers away from us. Gujarat where most of the Reliance Fiber from polyester is available and we are able to manage within a geography of 400-500 kilometers, the entire supply chain and managed to reach the port. So if anybody can achieve speed and economies of scale on these kind of formal products we can and this is a significant area where India has not yet been able to grab a significant share of the world trade. We see that this will happen for us and we continue to try and make that happen and I think the opportunity has never been better.

Riken Gopani: Understood and one last question on the pricing you did mention that given that customers do appreciate the inflation you have been able to take a 5% to 7% price hike in garments and fabric. Will that sort of take care of the inflation that you continue to see in coal and on the power and fuel cost or will this sort of help you to sort of get on to the margin trajectory that you had expected earlier.

Ravi Toshniwal: It will certainly help but not as much because at the end of the day people will pay what is market price and not more. And if our cost of power is higher than others then it is not going to help our margin to that extent. We have to reduce our cost of power, we have to move away and there is no other choice on that.



Banswara Syntex Limited
February 08, 2022

Riken Gopani: Understood. So this switching from the internal consumption to SEB consumption will be sort of complex you did mention that it does take time but by one do you sort of on a base case basis expect that to be fully executed.

Ravi Toshniwal: I am not sure because there are certain challenges in this location and there is the concerns of the SEB have to be addressed in terms of the manpower availability right now due to the pandemic and all. But I can give you an update again in the next meeting or I can send an update up in the website as to what would be the situation but I think it is going to take at least a year.

Riken Gopani: Understood okay. Thank you so much, Sir.

Moderator: Thank you. Ladies and gentlemen due to time constraint we will take that as a last question. I would now like to hand the conference over to Mr. Ravi Toshniwal for closing comments. Thank you and over to you, Sir.

Ravi Toshniwal: Thank you everyone. It was very interesting for me to be back again with you after whatever hiatus we had in our time when we were able to talk more regularly and I hope to be meeting with you all on the earnings call every quarter and give you the updates required. We are continued as a company to be improving our core competencies which are around the kind of fabrics that in poly viscose and poly wool that provide value to customers who are looking for solutions in these areas. And this is somewhere where we will achieve a leadership and we have always had the highest export in these two areas from India and when somebody comes looking to India for any of these products they will come to us and we will find them a solution which works. And while doing this we hope to be able to achieve the margin that we can get on these businesses with given the strengths India has on the raw materials and all of the cost reductions we have been able to achieve. The last two years have been really a good learning we have been able to permanently reduce certain costs and structures which has been very, very good. The pandemic has been a blessing in disguise in many ways and we look forward to the fact that it has given us the opportunity to consolidate and refocus ourselves towards future where India will have a larger role to play and we will be part of that big role for the segment that we have identified to be in. Thank you everyone.

Moderator: Thank you. 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.