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Dear Sir,

Subject: Transcript of Q1 & FY17 Earnings Conference Call held on 10th August, 2016.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Kindly find enclosed a transcript of the Q1 & FY17 Earnings Conference Call held on Wednesday, the 10th August, 2016. 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

(J.K. JAIN)
CFO & COMPANY SECRETARY

Encl.: as above

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**“Banswara Syntex Limited Q1 FY-17 Earnings
Conference Call”**

August 10, 2016



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



*Banswara Syntex Limited
August 10, 2016*

Moderator: Ladies and gentlemen good day and welcome to the Banswara Syntex Limited Q1 FY17 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantee of future performance and involve 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 the operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Ravindra Toshniwal – Managing Director of Banswara Syntex Limited. Thank you and over to you sir.

Ravindra Toshniwal: Thank you. Good afternoon ladies and gentlemen, a very warm welcome to the Quarter 1 FY17 Earnings call of Banswara Syntex Limited. Along with me I have here Mr. J.K. Jain – our Chief Financial Officer and SGA, our investor relations advisors.

Banswara Syntex is present across 3 verticals yarn, fabric and garments. We largely cater to the bottom wear segment of trousers, jackets and suits. We specialize in poly-viscose, worsted fabric and some value-added linens and cottons. We are known as a specialist in lycra -based products with stretch which we use across all blends. We have a significant presence in men's and women's formalwear sector and sportswear or casual wear, not sport casual but dress-up sportswear both in India and overseas market where we cater to discerning customers. With our complete vertical integration that helps our supply chain and logistics and delivery we have become a preferred supplier to many of our customers.

I'll speak about the garment performance; our focus on going up the value chain is to increase our share of the garments in our revenue and this has been rising. The share of garments have risen from 12% of sales in Quarter 1 FY16 to 16.3% of sales in Quarter 1 FY17, so this is the growth of 37% in revenue and helps our margin. We have been able to create a niche presence in Lycra-based women's stretch pants that we now sell in Japan. Our marketing team which is backed by strong design team based out of our in-house design studio in Paris and in India has been successful in penetrating new geographies and customers in the United States of America, UK and Europe and Japan. We are selling to these very important brands all over the world including the brands in fast fashion.

The domestic market continues to provide our growth drivers. We see the market becoming more conducive for leading global brands and we increasingly see that there is global fashion entering India.

In our fabric and yarn division our fabric division contributed 41% of our revenue, based with our growth in poly-viscose and poly-viscose lycra for which we are known as the leaders. Our yarn segment actually has one of the largest single mill setup producing spun fiber dyed yarn



*Banswara Syntex Limited
August 10, 2016*

in Asia and that forms about 40% of our revenue. We are the largest producer of Lycra based yarns in the country other than for Denims. With our strength in yarn and our in-house processing capacity we have been able to provide highly customized solutions to our customers and with our garment division we are able to provide a full packaged solution. Our base in value-added fabrics such as Lycra-based fabrics have been performing very well and new product lines with Jacquard fabrics, extreme weather fabrics, automotive fabrics continue to provide value and will provide growth for our future.

We have completed most of our CAPEX cycle towards the expansion and modernization. This is true for yarn, fabric and garment. We believe we are well placed with regard to our capacity availability for growth in the next few years without any significant CAPEX. Going forward our strategy is to increase market presence for our worsted fabrics and a higher margin Jacquard and value-added fabrics as well as to increase our growth in garment more significantly. We also see new opportunities in the form of the FTA that we have Japan and Korea where we are increasing our market share and presence as well as growth in Russia apart from our traditional markets which is the US and UK and Europe.

As visible in our financials our operating levers are starting to play out and as we continue the growth strategy towards expanding geographical reach with more value-added fabrics, garments and fabric we hope to continue to improve. Now I would like to hand over the line to Mr. J.K. Jain-our CFO to update you on the financial performance of the company. Thank you.

J.K. Jain:

Good afternoon everyone. The financial results for the Q1 FY16-17 are already with you. I will just take you a quick snap of the performance before we open the question and answer session. The overall revenue for the Q1 at Rs. 297 crores, an increase of 2% over the corresponding last year. This is mainly because of the lower price realization and pressure in the market on pricing. Segment wise or the product wise if we say yarn contributed about 40% in the turnover, fabric and garment contributed around 60% in the total business for this quarter. Our gross margins were at 54%, an improvement of 180 basis points, EBITDA for the quarter increased by 11.3% over the last year, EBITDA margin expanded by 103 basis points to 13.03% for this quarter. The financial cost for the quarter is lower by about 25% during this quarter; it is just 15.5 crores as against corresponding quarter of the last year which was at around 20 crores. We have paid full tax at 33% as we have communicated last time that our tax burden which was around 42% to 43% until last financial year and we have taken all corrective steps as promised, it is now 33% of the profit before tax. The net profit for the quarter at 7.8 crores is 3.6 times of the last corresponding quarter results. Now I request you for the questions.

Moderator:

Thank you. Ladies and gentlemen we will now begin the question and answer session. We will take the first question from the line of Karan Desai from L&T Mutual Fund. Please go ahead.



*Banswara Syntex Limited
August 10, 2016*

Karan Desai: If you could help us with what kind of margin you did in each of the businesses that would be a bit helpful because as you said there was some pressure on the yarn segment and although you saw was the growth, realization growth hasn't been there that would help us.

Ravindra Toshniwal: For us we have not yet begun to actually do the segment wise data that we can share with you. What we have is only our internal MIS data and estimates. We can share that with you but we don't have financial data because we yet continue to give a consolidated summary of our total financials which merges all three. As you see the EBITDA margins have increased overall from the last financial year and that is a substantial improvement in our EBITDA margin from the last quarter. Although from the last quarter of last year but competitive the last quarter in March there is a slight drop because March usually is our best month. In terms of EBITDA margin even if you look at the full year it was 13.55% and now for this quarter it is 13.78%. So we have in the first quarter, we have done better than our overall last year's EBITDA margin and compare to the last year 2015 the quarter wise average was 12.99% has gone up to 13.78%. So there is almost 1% increase in the overall EBITDA margin. So now has it played out because the garment part is increased and the fabric part is increased and as a proportion of our total turnover 60% is fabric and garment and 40% is yarn, so 60% has become now fabric and garment which earlier was about 53%. So 53% has gone up to 60% which is in line with what we have been communicating all along.

Karan Desai: What are the kinds of utilization level we are working at?

Ravindra Toshniwal: In the garment division I would say we are about 80% utilized. We have 20% capacity available for taking further orders without CAPEX. In the fabric business also I would say maybe 75% overall utilized.

Karan Desai: When we say 70% because if I understand correctly a couple of years back when you did the CAPEX and the COACH brand, they moved out and that point of time the CAPEX was done for a quite value-added kind of product. So at 70% utilization are you satisfied with the kind of.

Ravindra Toshniwal: Product mix?

Karan Desai: Yes or you would want to move on the value chain?

Ravindra Toshniwal: This remains a constant endeavor for us to continue to sell more products which are more value-added. As a percentage of our total turnover the raw material cost continues to drop. This is an indicator that we are adding more value. So we will continue to move down that road and there is always the scope for improvement here because we have the capacity to produce all of our goods as value-added but we don't have the marketing to be able to sell all our goods as value-added.



*Banswara Syntex Limited
August 10, 2016*

- Karan Desai:** So as the market develops you can actually....
- Ravindra Toshniwal:** Yes as the market develops we will definitely take advantage of this. The thing is that we need to have buyers who can pay that difference. So we are using yet a lot of value-added capacity for lower value-added products. That is definitely not helping in terms of getting the overall EBITDA margin up to whatever 16%-17% as we have planned in the next 2-3 years.
- Karan Desai:** If you could share what is the best kind of realization for your value-added products which you do?
- Ravindra Toshniwal:** You want to go product wise EBITDA margin, we have products in which we can get 25% EBITDA and we have products which we can even get 35%-40% EBITDA. But what percentage of the turnover it is, so we have all kinds of products. Our product scope and diversity is very large. What we are doing is refining it and giving a basket of products now where we can get volume and have something which we call a specialty commodity. Like lycra by-stretch fabric in a twill, it is just like a plain structure or a simple weave but it has stretch in it and it has performance and we are able to get volume also. So in that one product for example we sell about 2 million meters in just black, navy and charcoal in the year. We are selling about on an average around 2.2-2.3 million meters every month and we are selling just one product almost 10% of our total production, total sale. We have large basket of product we may have about 200 products, But really out of those 200 products the 80-20 rule applies, 20% of our product will give us 80% of the turnover and the balance we have to prune. But we still need that in our offering because the customer is attracted to us because of our newness and some years they will choose one and some year they will choose something else. But there continues to be a lot of investment in product development. Our product development team and the amount of money we are putting into product development remains a significant outlay and which is why our cost of wages, cost of salaries is higher than our peers. So we are investing into product continuously.
- Karan Desai:** If we see the geographical mix, the domestic versus export, so is it that the basic commodity products are actually filling the domestic market; the value-added is more which is exported?
- Ravindra Toshniwal:** Not necessarily true. In domestic market also we have the discerning customers like Blackberry, Louis Philippe, and Arrow where they will be buying from us very good value-added products even sometimes with better margins than export. So both are there and our sales are almost 50-50 between export and domestic. That's come up from 46-54 to 49-51, the exports have increased and we see that this is a good hedge to be in around that 50-50 idea. Sometimes the export maybe 52 and domestic maybe 48 but we are going to hover around that 50-50 area plus or minus 3%-4%.
- Karan Desai:** Any further plans of expansion on the garmenting side?



Banswara Syntex Limited
August 10, 2016

- Ravindra Toshniwal:** Garments we will be making some expansions but not really huge. The CAPEX is involved maybe 3-4-5 crores, no more.
- Karan Desai:** What is the kind of debt number we can look at?
- J.K. Jain:** The debt, during this year we are anticipating around 35 crores. That would include some investment in the spinning for addition of about 6000 auto dropping ring spindles, few looms and rest is the balancing of the equipments.
- Ravindra Toshniwal:** It's really modernization and upgradation of technology.
- Karan Desai:** So we will be back at 600 crores?
- Ravindra Toshniwal:** We will be paying that much more.
- J.K. Jain:** We will be paying around 70 crores within this year and we will be taking much less than that.
- Moderator:** Thank you. The next question is from the line of Raj Shah from Praj Finance. Please go ahead.
- Raj Shah:** In the last quarter there has been increase substantial in the cotton prices across the world so what would have its impact on the Banswara Syntex?
- Ravindra Toshniwal:** For us cotton is not a significant portion of our business, maybe only about 10% of our overall fabric business is cotton oriented and that too it is value-added cotton so we don't see any significant impact on the cotton prices increasing for us. In fact wool prices have also increased by about 14% since last year. Cotton prices have increased even more, cotton prices have increased by about 30% - 35%. But in general the whole prices are being absorbed in the market, cotton prices there would be resistance at some level. But again this is something where if it is a global a phenomenon and prices have raised everywhere then that is the cost to be paid by the consumer.
- Moderator:** Thank you. We will take the next question from the line of Chitragda Kapoor from Samiksha Capital. Please go ahead.
- Chitragda Kapoor:** I just want to understand your yarn business a little better since its 40% of the contribution. Now did we add any more ring spindles in our production capacity for yarn?
- Ravindra Toshniwal:** This financial year, no.
- Chitragda Kapoor:** How much of the production that we do for yarn is completely absorbed by you.
- Ravindra Toshniwal:** Used by our fabric?



*Banswara Syntex Limited
August 10, 2016*

- Chitragda Kapoor:** Yes.
- Ravindra Toshniwal:** About 1/3rd.
- Chitragda Kapoor:** And what about the 2/3rd of the yarn.
- Ravindra Toshniwal:** 1/3rd is usually exported and 1/3rd is domestic market corporate customers and 1/3rd self consumption in fabric.
- Chitragda Kapoor:** So 1/3rd is actually sold?
- Ravindra Toshniwal:** Yes yarn.
- Chitragda Kapoor:** So it is this 1/3rd of the business which you see in pricing pressure that Mr. Jain alluded to during his opening remarks?
- Ravindra Toshniwal:** Yes in terms of yarn yes. But 1/3rd for export also there is a pricing pressure because 2/3rd we are really selling is yarn either in the domestic or in export. The commodity part of the yarn business though is more impacted by the pricing pressure than the specialty yarn business. Our yarn business as well is turning more and more into specialty yarn.
- Chitragda Kapoor:** But we still have a significant proportion of commodity yarn in our books right?
- Ravindra Toshniwal:** Yes we do but we are doing specialty yarn maybe 20% this year and normal yarn about 80%. Our plan for next year is to be increasing the share of the specialty yarn to 30% or 35%. Gradually we want to come to about at least 50-50 ratio on specialty versus regular yarn.
- Chitragda Kapoor:** What is the economics that will be involved to increase this proportion on 20% to 35% specialty yarn?
- Ravindra Toshniwal:** What it involves is product development and it involves selling that product development to customers requires a lot of marketing effort along with product development and educating customers how to use these specialty yarns to be able to make more value-added fabric.
- Chitragda Kapoor:** So it is mostly on the EBITDA front would be the expense not on the gross margins front?
- Ravindra Toshniwal:** The benefit will be in EBITDA margin increase, the expense will be in product development cost and sampling....
- Chitragda Kapoor:** If I do a very-very broad calculation based on the historic, over FY10 to FY16 now the realization per kg if I do just the back of the calculation for your yarn was roughly about Rs. 120 per KG that was the realization for yarn. I'm not bifurcating into this 1/3rd export and 1/3rd



*Banswara Syntex Limited
August 10, 2016*

domestic and 1/3rd self consumption. I'm talking the whole of the production versus whole of the sales value that we have recorded in our books.

- Ravindra Toshniwal:** You just took 118 crores of yarn sales divided by total kilograms of yarn produced?
- Chitragda Kapoor:** Exactly. So that is the realization I'm talking about in FY10 it was roughly about Rs.115-120 per KG. How has that moved in this last 5-6 years as on date?
- Ravindra Toshniwal:** Price at that time would be significant to know what it was because at that point the raw material price might have been quite high. Since then raw material prices have fallen. So here we have a figure of 118 crores and on the synthetic yarn we have sale of 71.55⁶.
- J.K. Jain:** 75 is the production so we cannot directly calculate this rate, the only thing in spinning we can do in calculate is the difference between the raw material price and the sale price that is called a conversion values realized to the company and that can be calculated, value addition by spinning department that can be calculated.
- Ravindra Toshniwal:** In fact we should share added value. We can share added value with you in the next session and we can even share that by circulation later through SGA.
- Chitragda Kapoor:** That's would be very helpful.
- Ravindra Toshniwal:** Because even if we can't segment our businesses and give you profitability separately in EBITDA margins separately for yarn, fabric and garments, what we can give you very easily is the value added in each.
- Chitragda Kapoor:** That would be quite helpful because it will help us understand the dynamics of the business and how as you mentioned that there has been pricing pressure or there is an increase in volume, at least we will be able to factor that have a much more realistic view into a number.
- Ravindra Toshniwal:** I just want to say one thing Chitragda just to and for all of the other investors listening in. One of the things that Banswara has noticed very clearly that when the market gets tough it is not bad for Banswara because Banswara is a lot based on development. When the market is tough it is commodities that so for much more even our regular yarns or all dyed and in the way they are specialty commodity. So we usually have much better numbers when the market is bad as compared to when the market is buoyant because we are not efficient-efficient. We are creative efficient. We are not purely churning out the best numbers in terms of productivity that is not the spirit of Banswara. We are actually doing a lot of product development and because when the market is bad, people need a product development and they need to excite the consumer with something new is they always come to us and we seem to have better numbers at that time. We are not really scared of cyclical downturns.



*Banswara Syntex Limited
August 10, 2016*

- Chitragda Kapoor:** Basically it's become more of a branded business than a commodity business for you.
- Ravindra Toshniwal:** It has become more of a branded business for us and we are not impacted by these sort of commodity cycles.
- Chitragda Kapoor:** That was quite helpful and probably I will have much more detailed discussion later on.
- Moderator:** Thank you. The next question is from the line of Darshit Shah from Nirvana Capital. Please go ahead.
- Darshit Shah:** One question pertains to Mr. Jain, the employee cost it is gone up from around 45 to 50 crores this quarter, any color on that?
- J.K. Jain:** There is an increase in the garment business during this quarter. There is 37% growth in the garment production and as we increase our garment production the component of labor in the value addition by the garment division is more. So firstly the increase in the garment production is main reason, second is the increase in the index based wage revision to the workmen that was also about 6% up take and accounted for this quarter, third is managerial remuneration which is also forming part of the employee cost now.
- Ravindra Toshniwal:** We will try and share that also which you, our separate cost for the wages and white collar workers and blue collar separate, the knowledge workers and the workforce that we have and the cost difference between the knowledge force and the workforce in each of the three businesses.
- Darshit Shah:** On the garmenting front the revenues are almost up 37% from around 35 crores to 48 crores this quarter. How much growth do we envisage this year from the garmenting side of business?
- Ravindra Toshniwal:** Our target is at 240 to 250 crores in the garment business at the end of financial year. Last year it was 200 crores. We have projected a 25% growth in garment.
- Darshit Shah:** My last question pertains to the margin front. If you look at our EBITDA margins this quarter, it is bit lower than what we did in the second half of the last year. But year on year we have still done better. So would that be a similar trajectory throughout the year or so?
- J.K. Jain:** Basically it's a cyclical thing. If we performed less in H1 and profit margins are better in H2 you're saying that last year also the H1 was lower and H2 was better. This time also H1, we are expecting about 40%-45% of the annual target and rest will come in the H2.
- Darshit Shah:** So you are saying the H2 margins will probably be higher than the...
- J.K. Jain:** Historical Yes, it is true.



Banswara Syntex Limited
August 10, 2016

Ravindra Toshniwal: It is cyclical because we sell more winter goods than we sell summer of goods. Our winter season for sales is much bigger than our summer season and generally more clothing is sold in winter than summer for our kind of product.

Darshit Shah: Last question on the garmenting side, at what capacity how much is the kind of peak revenues can we make out of it?

Ravindra Toshniwal: Without any significant investment we could probably increase these 250 crores to maybe about 300.

Darshit Shah: That's what max you can do from the current capacity we have?

Ravindra Toshniwal: From the current capacity we yet have scope to extract another 50 crores increases.

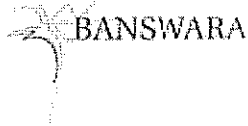
Darshit Shah: All this growth is it coming from the same existing geography or it's a different market we're getting more traction?

Ravindra Toshniwal: There is some growth in Japan and Korea and those markets are growing well for us. But otherwise it's a same geography by and large; same geography and similar customers and we're just trying to increase our hold with those customers and business with each customer.

Moderator: Thank you. We will take the next question is from the line of Preeti Lalwani, an individual investor. Please go ahead.

Preeti Lalwani: First I wanted to ask you regarding the man-made fabrics that we have. Can you just give us some sense on what the realizations are right now looking like and if we can share some outlook for the coming quarters on the same?

Ravindra Toshniwal: By man-made fabrics, we primarily do two blends, PV-Lycra and Poly-viscose rigid so PV and PV-Lycra those are the two main man-made we are making and that forms a significant chunk of our fabric business out of our total fabric business of maybe projected 550 crores probably this PV and PV-Lycra segment will be almost about 350 crores. So we have significantly more margin in our stretch fabrics than we have in our rigid fabric. We think that the stretch fabric business is growing faster as well. All our designing effort is now based on stretch fabrics and we have found that whether it is men's wear or women's wear stretch is a characteristic in the fabric that is now given and most people like it just because of comfort. You will see that the trend of the market is turning very funnily in a sense that formal clothing is becoming more casual and casual clothing is becoming more formal. So they're both meeting at some midpoint where the clothing that people wear is something that carries them through the day in formal setting and takes them through the evening in a casual setting and the same set of clothing works. Basically you don't pack for an occasion but you pack clothing that works for most



*Banswara Syntex Limited
August 10, 2016*

things and this is the trend where we see fast fashion is picking up very well. You see the growth in Zara, in H&M now which is opening in Mumbai also, they're already doing well in Delhi and now Uniqlo coming in so these three companies Zara, H&M and Uniqlo will be really capturing the market and the game changers. We are in man-made fabric, we have very significant presence. Whether it is in Poly-viscose, Poly-viscose Lycra our competition is mainly China P side goods. So China dominates the commodity space but we take the premium part of the man-made fabric. So our margins are not under pressure and continued oil prices being low and continued advantage that we are getting with the energy cost which hasn't yet gone up too much because also the coal prices have been low. We are in a good position in man-made it's not the cotton cycle where the price of cotton is gone up so much so the margins will be under pressure. So I think man-made is a good story.

Preeti Lalwani: If you can give me some understanding on the difference in the margins that we make in the rigid and the stretch PV.

Ravindra Toshniwal: I would say that stretch would be making 17%-18% EBITDA margin and maybe about 12%-13% in the rigid, at least a five percentage point difference.

Preeti Lalwani: Going ahead as our stretch part of the business as that grows we see our margin coming up further because we get the premium chunk of this business?

Ravindra Toshniwal: 100% for sure. We will get a five percentage point increase in our EBITDA margin if we sold everything as stretch. But right now we are selling among the 2.2-2.3 million meters we do every month, we sell about 1 million meter stretch.

Preeti Lalwani: You just mentioned about H&M, Zara and Uniqlo coming up with new stores and how they are gaining market share, so with that are we supplying to them and do we see increasing share of business from them?

Ravindra Toshniwal: I will give you an example for example Marks & Spencer, we already came into the country long ago and they already have some (+40) stores. We were supplying to Marks & Spencer in UK and in their global network for a long time before we started supplying in the Indian network and now we are supplying in the Indian network as well. Typically when these brands come into the country they continue to import everything for a few years and they don't buy locally. Then they indigenize it slowly. But if they do want to indigenize we are there ideal partner because we are going to be selling to them and we are already sell to H&M, we already sell to Zara globally, we already sell to Uniqlo globally. So it is very easy for us start that relationship in India.

Moderator: Thank you. We will take the next question from the line of Arjun Sengar from Reliance Mutual Fund. Please go ahead.



*Banswara Syntex Limited
August 10, 2016*

- Arjun Sengar:** Just wanted to ask you something related to GST. My understanding is that cotton fiber currently has 0% excise duty but synthetic fiber has 12%. So can you tell us how do you expect GST to affect this mix quarter versus synthetic fiber and also between the different value chains like garment, fabrics and yarn?
- Ravindra Toshniwal:** So let's look at this in two ways, one is this fact that GST will be a leveler and will improve the supply chain logistics and logistic cost of goods going in the country because their inter-state transfer time taken, trucks waiting at the border and all of that will change. So one is, it is the facilitator of commerce and makes flow of goods happening and so it helps fast fashion because we can transfer goods from one store to another store if it is not selling in one store. So overall it is a helpful thing from that perspective. The other part is about the inflationary impact in certain commodities like cotton for example. If there is an inflationary impact we have been arguing about a multi-fiber policy with the government for a long time in which synthetic should not be at a disadvantage to cotton. In a way this GST happening will make this multi-fiber policy automatically happen. So in the way it is going to level the playing field between cotton and man-made. In a sense this means more man-mades will get used in the country which is correct also because why should we be using more expensive fiber like cotton in the country where people don't want to pay the price and the durability of the product is also lower as compared to synthetic when many other countries in the world are proportional, synthetics used is fairly low.
- Arjun Sengar:** Under this GST how is your export subsidy going to look like, currently I believe you get duty drawback?
- Ravindra Toshniwal:** All that will remain that is against the compensation of all duties, customs duties and excise duty.
- Arjun Sengar:** Because I have heard that in certain company there is a mismatch between the reimbursement you get under duty drawback and your actual.....
- J.K. Jain:** All the rates will be announced by the government when the final multiplication and the procedural guidelines for the GST will be announced. So until now all the information that has come is just an indication that 'okay' the bill has been approved by the parliament and Rajyasabha but final notifications will come state wise things will be declared. So it is too early to comment on these things until the final notifications are made to the public.
- Moderator:** Thank you. We will take the next question from the line of Bhavesh Jain from Envision Capital. Please go ahead.
- Bhavesh Jain:** Wanted to understand from you what CAPEX we are planning to do beyond FY17? In the last five years as per your presentation we have invested around 426 crores in CAPEX. But that



*Banswara Syntex Limited
August 10, 2016*

has not been translated into higher revenue growth because from FY12 to FY16 our topline growth is only 8% and EBITDA growth is 5% CAGR. Despite mix moving in our favor, garmenting proportion going higher so what aspiration we have in terms of EBITDA margin for all the different segments?

Ravindra Toshniwal: Our vision is to continue to increase turnover at the top line but more importantly to increase EBITDA margin even if we cannot increase turnover significantly because the turnover headwind is from the market. What is in our control is to continue to sell goods that attract better margin for us and substitute the lower margin goods with higher margin goods and achieve even at the same turnover a better profitability. So it's not really topline growth, the topline growth will happen. We hope maybe we're going to get around 1300 crores or so topline in this year but we will see a better improvement in our EBITDA margin and our aim is to come in the next two years to an EBITDA margin of 16% to 17% overall.

Bhavesh Jain: What will drive this garmenting segment likely?

Ravindra Toshniwal: All three, everything will drive it. We will be having more value-added yarn sold as a proportion of our total yarn, we will be selling more value-added fabrics and we will be selling garments.

Bhavesh Jain: About CAPEX beyond FY17 what kind of a CAPEX we are looking for next two years FY18 or 19?

Ravindra Toshniwal: Similar trend, we are not going to be spending more than Rs.30-40 crores in the year and will be returning back in 17-18. We are reducing the debt by about 30-40 crores every year.

J.K. Jain: Besides this is a long term debt reduction and there is a reduction in the borrowings also. So if we look at the last financial year statement where reduction in the term debt was about 52 crores and there was a reduction in the working capital also by about 30 crores so overall reduction was about 80 crores.

Ravindra Toshniwal: Regarding this technical textile what kind of an opportunity it is and what segment we are currently catering, how big that segment can be especially in this auto textile?

Ravindra Toshniwal: The auto textile part is actually growing very well. In fact we are suppliers to Kwid and Renault so the Kwid car has been doing exceptionally well. The problem with this market is that until that model runs we are in when they change to new model if our fabric gets adopted we are with the life of the model of the car. So this depends on how much we get adopted and which model do well. But we are seeing that there is traction in the automobile business and we will be even investing in making some seat covers, so not the supplying to the automotive fabric but making the seat cover and molding it and then supplying that part.



*Banswara Syntex Limited
August 10, 2016*

- Bhavesh Jain:** Are we looking for exports also in this particular segment.
- Ravindra Toshniwal:** No. The Logistics involved don't allow export.
- Moderator:** Thank you. We will take the next question from the line of Sachin Jain from Star Investment. Please go ahead.
- Sachin Jain:** I just wanted the outlook for our European and Japanese market like what would be the potential for us from this market?
- Ravindra Toshniwal:** In Japan currently we are doing no more than about \$3-\$4 million of business overall yarn, fabric and garment. So the figure is about US\$6 million we are doing in Japan right now so that's about 40 crores. But we think that this will jump from 40 crores over the next two areas to maybe about 100 crores. Overall our turnover for the present 40 crores in the next two years so we are talking about almost doubling every year, Japan. In Europe the growth is slower. In Europe we are waiting for some significant breakthroughs with customers like Zara and H&M. If that happens right now we struggle with them and we can't take too much business because of the lead time, they are all into fast fashion and the lead times they require really have to be met in a very expedient way. We have to figure out how we can do that by keeping some goods on the floor which can then be not a risk but they should be able to be used by others so keep the fabric on the floor and keep the lines all set-up and then be able to produce and deliver to them within 4 to 6 weeks. Because the challenge for this fast fashion for such customers is to really be in their cycle time which is extremely compressed. But we're getting there we are finding ways to address that by smarter planning, we are putting in a ERP, we are doing all the kinds of necessary intelligence gathering to be able to do the right forecasting. Once we have all of this in place we can get a very significant increases where we really to customers we need to crack in Europe. Both of them are like about \$10 billion plus. Zara is more than \$10 billion of turnover and so does H&M. I mean all we need to do is crack them open for a few lines and we could increase the 100 crores. So the potential of the market is huge, the challenge is always about performance and performance with the timelines and restriction. So we are very happy that GST and things like this are happening. At the end look at our logistics, to get goods from Banswara to the port takes us 7 days and from the port to Vietnam takes me 14 days. Now China is able to ship into Vietnam within 6 days from factory to factory. So I'm losing on logistics only. The logistic cost in India and logistic time as we are hoping the government will improve the infrastructure that will help and all of this new policy for improvement in the labor policies and all of that we will be able to use the training 'Sarv Shiksha Abhiyan' funds, the funds which are there for the Provident fund to employ new people in the garment sector, the additional drawback and push our garmenting units to be world-class. By being world-class means being up to speedy with. They all love quality; they say your quality is perfect, everything is great but we can't buy at these lead times because we need to change our stores very-very quickly.



*Banswara Syntex Limited
August 10, 2016*

Moderator: Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference over to Mr. Toshniwal for his closing comments.

Ravindra Toshniwal: Thank you ladies and gentlemen for your patient hearing and your insightful questions. We are always happy to meet with you all. I'm sure if you want to make plant visits or get further information you just need to contact SGA who are always helpful and will schedule your calls and visits and whatever other information needs you may have. We look forward with optimism at the market and we are in Banswara, feeling a very positive sense of future and look to share it with you. Thank you.

Moderator: Thank you members of the management team. Ladies and gentleman, on behalf of Banswara Syntex Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.