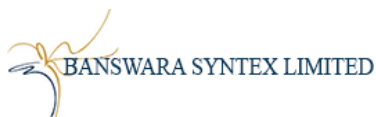




“Banswara Syntex Limited Q3 FY23 Earnings Conference Call”

February 14, 2023

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**MANAGEMENT: MR. RAVI TOSHNIWAL – MANAGING DIRECTOR,
BANSWARA SYNTEX LIMITED
MR. ANSH – HEAD (FINANCE), BANSWARA SYNTEX
LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Banswara Syntex Limited Q3 and FY23 Earnings Conference Call.

This conference call may contain forward-looking statements about the Company which are based on the beliefs, opinions and expectations of the Company as on the date of this call. These statements are not the 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 touch tone phone. Please note that this conference is being recorded.

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

Ravi Toshniwal: Thank you. Good afternoon everyone and it's a very warm welcome to everyone on our Quarter 3, nine-month FY23 Earnings Conference Call. I'm joined in this call by SGA – our Investor Relations Advisors and our Finance Head – Ansh. I do hope everyone has had a chance to go through our updated Investor Presentation uploaded on the exchanges and our Company's website.

Firstly, it gives me great pleasure and it is a real honor for me to share with you the Quarter 3 results of FY23 which have been quite exceptional and have been very satisfying. This quarter, our earnings were led majorly by the value-added sales that we had in fabrics and garments. The yarn demand was weak during this Quarter 3 due to prevailing market conditions. However, our diversified product mix allowed us to navigate smoothly through this challenge. We were further assisted by the fact that the coal prices reduced further, helping our margin improvement.

For your information, about 60% of our turnover comes from fabric and garment and 40% from yarn. Our order book for Quarter 4 remains robust. Quarter 3, FY23 was tricky for our yarn business in terms of our production planning. The yarn demand being weak and our expectation of fiber prices dropping further caused us to take a very conscious and difficult decision to shut down some ring frames. This reduced our production by about a 1,000 metric tons in the quarter. However, in retrospect we do believe this was a good decision as if we had produced unsold yarn, we would have had to make mark-to-market losses because of the reduction in the fiber prices.

The Company continued production of its fabrics in the robust market. It produced about 12.6% more fabrics as compared to the previous quarter. In the garment business, the period of the last Quarter 3 was a period when there were a lot of holidays due to Diwali and other festivities and marriages which resulted in a lot of labor absenteeism. This caused our garment division to have a drop in production which, although the demand was full and our order book was completely

full we could not achieve the turnover increase in our garment division as there was a drop in our trouser capacity by 21% and a drop of 15% in our jacket capacity. So, we achieved in our garment division a turnover of Rs. 88 crores in the quarter versus Rs. 104 crores in the last quarter.

As we see there was a lot of pent-up demand in the ongoing year which appears now to have peaked by the end of Quarter 3 FY23. We do see that there are challenges ahead in terms of one, the earthquake that happened in Turkey which will impact our yarn demand. The Turkey is a huge yarn market for us. However, we have still to see whether this will have maybe some unexpected demand for us in our fabric business and garment business. The slowdown fears globally need to be reviewed constantly and we do see that the market is a little bit nervous. However, we look forward to our order book being okay for Quarter 4 and as far as Quarter 4 is concerned we do not see much concern.

Coming to the financial performance on a standalone basis:

Our revenue for Quarter 3 FY23 dropped 10% from Rs 406.5 crores to Rs. 367.9 crores. However, despite this revenue drop of 10%, the EBITDA margins improved from 13.7% in Quarter 2 to 15.7% in Quarter 3 and this was quite encouraging for us. We figured that the reasons for this are maybe due to the following reasons mainly, one, the average cost per meter for the realization we got on our major categories of fabric sold increased by about 4%, the price that we are getting from the customers.

Number two, the reduction in the raw material cost happened with polyester reducing by 11%, recycled polyester by 6% and viscose by 3% and three, we had a reduction in our power and fuel costs, so the per ton coal consumption costs also reduced by 12% which saved us about Rs. 4 crores. On a year-to-year basis in the nine months our margins improved from 10.8% in Quarter 3 FY22 to 15.7% in Quarter 3 FY23 which is a significant difference as you can see, we are almost 5% better in our margin improvement as compared to last year. The profit after tax for Quarter 3 FY23 stood at Rs. 29.4 crores versus Rs. 12.2 crores in Quarter 3 FY22. However, it was less than our quarter two PAT. This, however, is because there was about a Rs. 6 crore tax benefit, a one-time tax benefit that we got in the last quarter due to shifting to the new tax regime.

Now that we have moved to the new tax regime, the new tax regime will apply across all subsequent quarters. If you look at the fact that there was this benefit in the PAT in the last quarter, we have actually achieved better EBITDA margins and better margins all around. On the sales front the yarn and garment divisions witnessed a dip of 18% and 16%. The garment division would not ordinarily have dipped, but it was due to the production that we were not able to achieve that we had a dip in the garment division and the fabric division showed a quarter-on-quarter uptick of 5%.

Now, the muted division performance in our yarn division was due to the slowdown in the general market condition, whereas the garment division sales fell due to lower production during

the quarter. The fabric division exceeded its sales due to a good order book and no constraints. The export sales in proportion to our total sales have increased by 1% in Quarter 3.

Garment and fabric exports have grown by 10% and 2% respectively. The quarter-on-quarter yarn exports have not grown and have actually decelerated by 30%, portraying the slowdown in the yarn business in exports. The domestic sales saw a dip of 11% in Quarter 3. This was majorly due to lower volumes in yarn and fall also in the realizations of yarn.

Now, if you look at our Company we have incurred a lower power cost of Rs. 45 crores at 11.9% of production value vis-à-vis a Rs. 54.2 crores cost at 12.93% of production value in the previous quarter. So, this is a good healthy trend and with coal continuing to remain stable and the freight prices going down from Indonesia, we see that there should be no reason for us to be concerned about the power cost increasing further. The moderation of 1% during the current quarter is due to the reduction in average coal consumption cost. For Quarter 3, FY23, the financial costs also have been in control with only a marginal increase of 0.43% when compared to the previous quarter and this too is due to the various yearly fees we pay like renewal charges, stamp duties, lead bank fees which we paid in this particular quarter to the bank and will not be paid in other quarters. We think that overall, the finance cost is also stable and continues in an environment where interest costs are rising to not increase. For the nine months FY23, production was significantly higher than the year of December '21 and compared to last year, if you look we have seen that there is an increase in demand due to the post lifting of COVID restrictions in the domestic markets and as well as we had a low base effect as previous year production was any way lower due to COVID restrictions, we increased the production lines in Daman for our jackets, trousers and waistcoats one line each and we built up efficiencies in the garment division through the training of our workforce and the yarn production also increased by a margin of 5%.

Our revenue grew by 37% from Rs. 833.8 crores in the last year's nine months to now Rs. 1,138.7 crores. So, we are almost now at Rs. 1,140 crores in turnover. The yarn division increased its sale by 7%. The fabric division increased its sales by 37% and the garment division showed our highest increase of 52% when compared with the previous year. The year-on-year export sales have risen to 51% whereas the domestic sales have increased by 27%. The major reason behind the same again is the pent-up demand in FY23 which we now think is over. But we do think that the stable demand for good products will continue. The garment increase of 140% was on account of larger orders from international brands and is expected to continue. When we look at the domestic revenue, the Yarn revenues were flat whereas fabric and garment revenues increased by 55% and 93% respectively.

On a nine-month basis the Company has been able to reduce employee expenses by 0.7%, this is partly due to the reduced production in the spinning to Rs 208.2 crores in the nine months. No, this is something wrong here. The Company we've been able to reduce our employee expenses by 0.7% on account of internal efficiencies, and for the nine months FY22, the power costs have decreased, as I said earlier, by 0.37%. The EBITDA margin for nine months FY23 increased by 78.4% from Rs. 87.6 crores to Rs. 156.3 crores, and margins improved from 10.5%

to 13.7%. Now, the PAT has also increased from Rs. 27.3 crores to in the nine months Rs. 83.6 crores and we are looking at heading towards maybe the first time ever in our Company achieving a PAT of Rs. 100 crores at the end of the financial year.

The Company would like to highlight that it has dropped the plan to acquire a new D2C brand. Instead, it will build a brand internally through its new subsidiary Banswara Brands Private Limited. Thank you.

With this I'll now open the floor for questions and answers.

Moderator: Thank you. Ladies and gentlemen we will now begin with the question-and-answer session. The first question is from the line of Karan Gupta from CAVI Capital. Please go ahead.

Karan Gupta: Thank you for the opportunity as well as the detailed presentation. I have a few questions, to start with if you could just share your CAPEX plan going forward as well as just discuss where the CAPEX has gone into into FY22 as well as the first half of FY23.

Ravi Toshniwal: We are looking at a CAPEX plan going forward of spending maybe about Rs. 150 crores and this Rs. 150 crores will be spent more or less Rs. 50 crores, Rs. 50 crores, Rs. 50 crores in the garment, spinning and fabric division. Each one of them gets an allocation of around Rs. 50 crores.

Karan Gupta: Okay. And this is over what period?

Ravi Toshniwal: This is over the next two years.

Karan Gupta: In the garment division?

Ravi Toshniwal: In the garment division, we invested in the current year, Rs. 30 crores, in the spinning, Rs. 10 crores. In the fabric division, I think we invested in another Rs. 15 crores. Yes.

Karan Gupta: Okay, so most of these CAPEX related to capacity augmentation or are these maintenance CAPEX? You're replacing existing machines?

Ravi Toshniwal: In the garments it was mainly for capacity expansion, all our investment in garment, whereas in spinning and in the fabric business, it is more related to modernization and improvement in quality and enhancement of new products.

Karan Gupta: In the garment division, my understanding was, like, if you're converting textiles into finished goods, a lot of it is manual labor that is involved right. Is the CAPEX for sewing machines, etc. or are there any other big machines?

Ravi Toshniwal: Yes, there are washing machines, there are sewing machines. Our CAPEX is also in building. But the reason that our CAPEX is higher than other garment people is because our CAPEX is in tailored clothing, mainly towards making suits, jackets and dress pants and not as much in towards the casual part and this requires some CAPEX. We have seen that the demand for our tailored clothing business has come back very strongly post COVID. The tailored business is somewhere where we are finding that there has been a loss of capacity globally which has not recovered. This looks like a long-term thing where we can continue to build capacity as demand seems to be quite robust.

Karan Gupta: Okay, that's heartening to hear. When you undertake a decision to spend money on CAPEX, what are the underlying metrics that you track to see whether it makes sense for you from a financial perspective, not just growth? Do you target any return metrics or is it more looking at what the industry demand is and where you think you can get some growth?

Ravi Toshniwal: Well, the first thing we really actually look at is the market demand and really speaking in fact, we have CAPEXs available which are more flexible. We do have the ability in our operations to do some job work outside and get, say, for example, weaving capacity available or extra finishing capacity available for fabric outside or buy more yarn from outside and increase our turnover. We have really looked at our business as three different businesses. We are in the business of selling yarn, we are in the business of selling fabric, and we're in the business of selling garments. We see ourselves as three companies who are achieving objectives to improve profit in each of these divisions and we have a divisional head for each of them. As we look at investments, we look at a return based on the market demand in each and our ability to leverage that demand through job work and outsourcing first. If we can do that, we would rather not put CAPEX and if we cannot do that and it is a specialized demand which requires us to invest in it, then we will do it.. The constraint is eventually the market.

Karan Gupta: The reason I'm asking this is your gross margin, profitability margins, they all seem good over the past many years. It's just, given the large asset size, your returns on capital...?

Ravi Toshniwal: Which is why we are being very conservative in our investments compared to most of our peer group. We have in fact invested very little and we continue to be quite conservative in making investments for CAPEX.

Moderator: Thank you. The next question is from the line of the Tushar Sarda from Athena Investments. Please go ahead.

Tushar Sarda: I wanted to know this is the first time that I'm listening to the call and interacting with the Company. I wanted to know the outlook for the next three to five years, especially in the context of your comment that the pent up demand is done with. What kind of growth should one expect over medium term period?

- Ravi Toshniwal:** We're like looking at the next maybe say two- or three-years horizon and in that we see that it is possible to independently build our businesses in maybe three to four years if you talk about we are talking about having a Rs. 1,000 crore yarn business, Rs. 1,000 crore fabric business, and Rs. 1,000 crore garment business. We think each one of these are scalable on its own. We have experiences which allow us to find the right market niches, where this growth can be achieved, even though there are headwinds from the market and there are always spaces of certain areas where the demand continues to still be robust and those are what we are looking for and those are where we are targeting our growth.
- Tushar Sarda:** Okay, so basically doubling in three to four years from that roughly Rs. 1,500 crore to three....
- Ravi Toshniwal:** This year, if everything goes well, we should close around close to Rs. 1,500 crores. We are looking at about doubling in three, four years. Yes.
- Tushar Sarda:** What are the margins in each of these businesses, in terms of sustainable margins? Quarter-to-quarter, there will be variations, but each of the businesses what kind of margins should one look at?
- Ravi Toshniwal:** We are targeting internally that we should be getting margins of 10% cash profit or about, let's say between 11% to 12% EBITDA in yarn, between 12% and 15% in fabric and in the garment business it's a little bit less, but eventually cash profit should be the same at about 10% because there's less debt in the garment business.
- Tushar Sarda:** Okay, but your margins this quarter were higher. So, they're not sustainable then?
- Ravi Toshniwal:** Well, marginally less yes, we are thinking right now, it has been a very good period, particularly for yarn it was a very good period so far. Now we are seeing that yarn has really gone down. But fortunately for us, since we are insulated and 60% of our turnover doesn't come from yarn, comes from fabric and garments, we are okay. Our overall margin, if you look at the peer group, is still better.
- Tushar Sarda:** How much is internal consumption from yarn to fabric and fabric to garment? Or do they operate independently?
- Ravi Toshniwal:** They are more or less operating independently in the sense they transfer the product at market price to the other division, when the other division is free to buy it from outside if they get it cheaper, unless it is a specific product that they want and nobody else can make it, then they are charged a premium accordingly.
- Tushar Sarda:** Okay and what is the average realization in garment since you are in suits and jackets and those kind of things? And who are the customers here?

- Ravi Toshniwal:** Our major customers, we have both in the domestic and export market and the export has really started to grow very well. In exports we are dealing with customers like Mango in Europe. We have large customers like Coals in the USA. We have Express now wanting to come with us in the US market. Whereas here in India we have all of the top suit makers. So, every brand that sells ready to wear suits in India is our customer. That's from Louis Philippe, Van Heusen, Marks & Spencer in India, the BlackBerry. All of them are customers for us.
- Moderator:** The next question is from the line of Nirbhay Mahawar from N Square Capital. Please go ahead.
- Nirbhay Mahawar:** I wanted to understand, sir, on the garment export side, we are competing with Bangladesh, Sri Lanka. These countries are seeing lot of power cost escalation and all. Do you see that has started working in our favor, that competing countries are getting less and less?
- Ravi Toshniwal:** Well, I think that Sri Lanka has had its own challenges, geopolitically, whatever situation and unrest. They've really not been doing as well as they should have been doing and Bangladesh has been a serious competitor yes and continues to be cost driven better than us because of their lower wages. However, the power component is not really a very big factor in the garment business. I don't see that the power advantage is what we are going to get. What we are going to get in India is the advantage of having the entire supply chain right from fabric, trims and garments available and to be able to deliver faster. We are really talking about leveraging the supply chain in India and the buzz about India being positive will only make this a virtuous loop. As more and more garment industry comes up, more and more ancillaries come up, the hub of garmenting in India is getting a buzz around it.
- Nirbhay Mahawar:** When we are talking about doubling each vertical's revenue are we looking at export component to grow significantly higher than domestic or this is across?
- Ravi Toshniwal:** We've always been more or less 50-50 about export and domestic and we continue to maintain that. We are not overexposing ourselves to either export or domestic, because sometimes one market does well, sometimes the other does well. India, by and large, we expect to do better.
- Nirbhay Mahawar:** Okay, so we see the opportunity of doubling our domestic revenue in each vertical also.
- Ravi Toshniwal:** Absolutely. Domestic is in fact easier to achieve the growth at this point.
- Moderator:** The next question is from the line of Hiral an individual investor. Please go ahead.
- Hiral:** I have two questions. How is the export market picking up and are we expecting some orders from Uniqlo and PVH Group which you are looking it in the last quarters, any development on that side?
- Ravi Toshniwal:** You're talking about Uniqlo and which other customer?

Hiral: PVH Group from the US.

Ravi Toshniwal: Right. Hiral, the export market in general at this point when you look at US market and UK, they have all ordered more than they really needed when this whole peak was happening of the pent up demand coming in. What happened is that most of these western markets, and in fact I would say globally, most markets over ordered because supply chains were broken and there was a concern about getting goods in time and they were experiencing sales which were happening nicely. Having done that, they all realized that the sales were not as big as what the expected demand was. So, they all slowed down a bit and lifted a little late. This is why there is some slowdown now which we are seeing. It is probably not due to the sentiment of inflation alone, but due to the fact that this has also been an over order made in expectations, which is sort of knee jerk reaction to not having any stocks and then suddenly seeing demand coming and then trying to build up inventory. Once this settles down I think the market is there and a long term shift of the supply base towards India and towards products that they can find, customers can find which replace China, this will continue to happen and we have a strong belief that this is what will drive growth.

Hiral: Sir, just in a continuation of the same question that what as per your estimate could be the over ordered quantity there might be in a one quarter or a two quarter or less?

Ravi Toshniwal: No less definitely less. They would have ordered less than even one quarter. It's just like even if you have two or three months of inventory that piles up, two months is enough for you to slow down and put breaks. Because they keep getting numbers from retail and they're ordering with a lead time of 90 days, 120 days, sometimes 150 days. So, they have to always predict the future.

Hiral: Okay, got it and on Uniqlo and PVH?

Ravi Toshniwal: On Uniqlo we have not yet broken through with a big order. We've got some trials. It's a slow and very, very tedious process, but we are enjoying the opportunity to learn and eventually we will break through is what we believe. For PVH we have already secured many orders and we see a big uptick from PVH.

Moderator: Thank you. The next question is from the line of Keshav from RakSan Investors. Please go ahead.

Keshav: Sir, what kind of impact do we see in the current quarter due to the situation in Turkey?

Ravi Toshniwal: Right, so we see a definite drop in our yarn export sales and we see that there will be now lean period. Because right now we are not really other than just be compassionate and understand what's happening with our customers, we don't really know the ground reality as well as to when the factories will be able to restart, what will happen, etc. Right now it's just checking on your loved ones are okay. Are you guys okay? Everyone is fine, but this is something which will take a little bit while to know. Once we are aware of what the situation, then it would be possible to

comment. This is another supply chain disruption because Turkey is a major supplier in Europe and this can throw up certain opportunities in the fabric and garment business, but definitely it will impact the yarn business for some time to come.

- Keshav:** What was the Turkey contribution in Q3 or nine months if you could give a figure?
- Ravi Toshniwal:** For yarn exports?
- Keshav:** The overall...
- Ravi Toshniwal:** I don't have that number because we were not selling anything else to Turkey other than yarn exports.
- Keshav:** Okay, so in FY22 it was about 16% so any figures similar to that? I mean, if you could go anywhere.
- Ravi Toshniwal:** Right now, I can't comment on that.
- Keshav:** No problem, sir.
- Ravi Toshniwal:** The point for us is right now that given whatever the market situation is in yarn, it will remain challenging. The question for us is that since we are consuming about one third of our yarn internally in our fabric business, we have only two thirds to deal with. We have expanded capacities in yarn. We have only added certain investments which are allowing us to make more value-added yarns and yarns that would be substituting what were being imported. I think we should still try and find a way to, with lower margins, still manage our yarn business and average out our EBITDA by the improvement we get in fabric and garment.
- Keshav:** Secondly, if I look at the last five to six years, which largely been flat in revenue terms, and the product mix also hasn't changed much. So, when we speak of the next three to four years and the China-plus-one theme which would help us double our revenues, are few contracts already in place that we started seeding which will help stake there?
- Ravi Toshniwal:** I think that you can already see that the turnover this year will get to around Rs. 1,500 crores by the end of the year. That is a significant improvement over last year in terms of the turnover. However, it doesn't really account for a huge increase because there's been inflation as well and so we're not satisfied with it. We want the increase to now come out of real sales and not just out of inflation. This is something where we have gone to many markets and many new customers. As you say, some seeding has happened in many different places. Hiral had asked about that PVH for example. But we have also improved our business with Express and Mango, which has happened in the garment business. There are new customers who are engaged with us. So, contracts will keep happening. Contracts are some things which are like two months, three months order book position. That order book position is all right for us right now. We are

just experiencing maybe in May and June, there may be a slight slowdown in our garment part, but other than that, it looks all very good.

Moderator: Thank you. The next question is from the line of Tushar Sarda from Athena Investments. Please go ahead.

Tushar Sarda: I wanted to know about your D2C plan. Would it compete with your customers?

Ravi Toshniwal: Okay. So, welcome back Tushar. As far as going direct to the consumer is concerned, no, we don't think that the market is so small. We think the market is huge in terms of what is happening on the internet and what is happening on e-commerce. We are building the brands with various niches, small brands which will allow us to basically create the value of a brand over the next three, four, five years. But it's not a short-term project. This is something where a small amount of money will continue to be invested into creating brand. This brand will leverage after the four or five years that it really needs as a gestation to create some impact and get to a turnover of 100-200 crores.

Tushar Sarda: So, what kind of apparels will you be doing in D2C?

Ravi Toshniwal: We'll be doing jackets and pants and T shirts. Basically, casual wear kind of, the image of our clothing will be very comfortable and very, like in trend in casuals. It's going to come out in a few months and we'll share a campaign as they come out. But we've just created a whole different team for it. They've been working for the last six months. Meanwhile, we have been working with many brands all over. We quite understand this space and we do understand it's very crowded and it's very difficult to penetrate. We are doing it with a sharp focus on certain differences that we can create.

Tushar Sarda: Would this be offline or online? What would the focus be?

Ravi Toshniwal: It would start online only. It will not start with so much offline absolutely. For the first one or two years it will be online only.

Moderator: Thank you. The next question is on the line of Hiral an individual investor. Please go ahead.

Hiral: I wanted to understand about our technical textile and specifically about TESCA JV. How is the business picking up there and what potential growth we see there with what kind of margin we are looking in that business?

Ravi Toshniwal: Yes. Okay. Hi again, Hiral. We set up with TESCA, our automotive joint venture partners, a division in Chennai. This is doing extremely well because it's much closer to our main customer, Hyundai. We have been increasing this business quite well and it's actually doing quite robustly right now. We expect to be making money in this quite well. The turnover should be around about 70,80 crores in this business and it's growing pretty nicely. Once we have opened up the

Chennai part. I think it's a nice venture where we are able to support them with fabric that we make in Banswara. But the final lamination and all of the putting together and then delivering to the customer is done in Chennai.

Hiral: Okay, so what could be the margin profile in that business approximately?

Ravi Toshniwal: Right now, margins are low in that business, there's a lot of capacity which had come up and people are really struggling. But let's say 2, 3% margins. We are not losing money in it.

Hiral: Going forward, can we see the margin improvement and the turnover expansion?

Ravi Toshniwal: Turnover is expected to expand and margins will improve of course, that is continued to be our efforts, which means a lot of reduction in value loss and claims that we were giving you to lead times. All of those have to be improved, which is already happening with the new factory in Chennai.

Moderator: Thank you. The next question is from the line of Atul Rastogi an individual investor. Please go ahead.

Atul Rastogi: I just had one query, what is The current debt as of December '22?

Ravi Toshniwal: The current debt? Okay. Right now, as on December end it stands at around Rs. 382 crores.

Atul Rastogi: Okay. It's come down a little bit from September.

Ravi Toshniwal: Yes, it has come down.

Atul Rastogi: How do you see it given that you have aggressive CAPEX plans and if you grows working capital....?

Ravi Toshniwal: That is aggressive when you look at it, we we'll be making 100 crore PAT and we have 150 crore expansion plan.

Atul Rastogi: And there will be working capital requirements.

Ravi Toshniwal: Yes, exactly. But that's not a problem right now. The banks are more than happy, our debt equity ratio is very good. There's really no constraint right now financially. In fact, we are being conservative in our growth is what most people tell us.

Moderator: Thank you. The next question is from the line of Nirbhay Mahawar from N Square Capital. Please go ahead.

Nirbhay Mahawar: Yes, just a follow up, 382 crore is our gross debt number or net debt number?

- Ravi Toshniwal:** This is gross.
- Nirbhay Mahawar:** So, what would be the net number?
- Ravi Toshniwal:** Ansh do you know the net number? 1 second he's just looking it up. Yes, it is 340.
- Nirbhay Mahawar:** If you look at our cash flow from operation it's going to be significantly higher than our CAPEX. So, what would be the plan for incremental cash flow? Are we planning to deleverage?
- Ravi Toshniwal:** No, we will reduce some of our debt maybe and we will also see what we can do in terms of reducing the amount of outside working capital we need.
- Moderator:** Thank you. The next question is from the line of Harsh Doshi from Analyse India. Please go ahead.
- Harsh Doshi:** Thanks for the opportunity. I wanted to know what is the capacity utilization in all the three divisions.
- Ravi Toshniwal:** Capacity utilization if in the last quarter you look at, in the yarn division, we deliberately shut capacity. Therefore, the utilization dropped and it went down to about 85%. In the fabric business, we ran it fully but it did 82%, because we didn't have enough orders in fact and in the garment business, because we mentioned to you as we did that there was a labor shortage and we couldn't get enough workforce, the utilization was only 76%.
- Harsh Doshi:** Okay, and can you let me know the capacity that we can do all the three?
- Ravi Toshniwal:** Like I'm saying, the capacities in the fabric business, we have a capacity of finishing fabric which goes up to almost 4 million meters a month. Right now we are only finishing two and a half million or 2 million meter sometimes. Again, this depends on the product mix, et cetera. There's a lot of cushion there, we can always get some gray fabrics from outside. We have started doing piece dyeing of articles which were coming in from China and now we are making them in India. This has got a very good demand here in India since people are really averse to importing from China as compared to what it was before. We're seeing that this whole business of expanding only depends on demand. If the demand comes for our product, we can use our capacities to run more than 100% of what we have using job work outside. The challenge is only in the market. The challenge is not in production.
- Moderator:** Thank you. The next question is from the line of Keshav from RakSan Investors. Please go ahead.
- Keshav:** When we talk about doubling up in three to four years, is it on the FY22 base or where we'll be at the end of this year?

- Ravi Toshniwal:** We're talking about that being on the basis of FY23.
- Keshav:** What is our maintenance CAPEX as a percentage of gross block on the current fixed asset base?
- Ravi Toshniwal:** I don't know the figure. Maintenance CAPEX meaning this would also include modernization, et cetera.
- Keshav:** Yes, of course.
- Ravi Toshniwal:** Yes. I think that we would probably spend around 40-50 crores a year.
- Keshav:** Okay. To cater to a doubled business, would we see a commensurate increase in the gross block also or not as much?
- Ravi Toshniwal:** There will be some increase in the gross block for sure, but not that high, maybe about 300 crores or so.
- Keshav:** Okay, so sir, I think even as of now, we have done a 10% kind of cash in previous years. Going forward with an improved working capital cycle and also a lower, higher asset turnover, are we being conservative in the 10% cash figure?
- Ravi Toshniwal:** Well, we think that 10% cash is definitely achievable and depends on the market. If the yarn and the situation globally becomes more pessimistic and people's demands really go down, then we have a challenge. This is something which we would rather have a figure where we think we can get it.
- Moderator:** Thank you. The next question is from the line of Nuresh Mayani from Analyse India. Please go ahead.
- Nuresh Mayani:** I have a very simple question. Over the last ten years, you did an expansion and modernization of 574 crores between the last ten years. What has been in the last three years?
- Ravi Toshniwal:** Okay, in the last three years, the investment has been quite nominal. In fact, we would have probably spent maybe about a 100 crores or something.
- Nuresh Mayani:** Roughly around 670 to 700 crores of total expansion cost over the last ten to twelve years.
- Ravi Toshniwal:** Yes, that's right.
- Nuresh Mayani:** In terms of, say, peak capacity, in terms of, say, crores, assume that you get all the orders in at 100% capacity, what is the top line you can do?

Ravi Toshniwal: This is what we feel, that without 150 crore or more CAPEX that we've allocated over the next two years, with that CAPEX, we should be able to get to a top line of close to 2,500 over two, three, four years.

Nuresh Mayani: All right, so basically, another 150 crores takes you to a peak capacity of 2,500 crores.

Ravi Toshniwal: Yes.

Moderator: Thank you. As there are no further questions, I now have the conference over to the Management for their closing comments.

Ravi Toshniwal: Well, thank you everyone, for coming into our earnings call and for patiently listening to our commentary as well as all the questions that you have for us. We look forward to meet you again in the next quarter at the close of the year and look forward to be on this journey towards making India stronger in the textile industry. Thank you very much, everyone.

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