BSL / SEC / 2024-25 / 43

13th August, 2024

**BSE Limited**
**Phiroze Jeejeebhoy Towers,**
**Dalal Street, Mumbai – 400 001**
**(Maharashtra)**
**Scrip Code: 503722**

**National Stock Exchange of India Ltd**
**Exchange Plaza Bandra–Kurla,**
**Bandra (East), Mumbai–400051**
**(Maharashtra)**
**Symbol :BANSWRAS**

**Sub: Transcript of Q1 & FY 25 Earnings Call held on 7th August, 2024.**

Dear Sir / Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are hereby enclosed herewith a transcript of the **Q1 & FY25** Earnings Call held on Wednesday, 7th August, 2024. The same is also available on the website of the Company i.e. www.banswarasyntex.com .

Please take the same on record.

**Yours faithfully**
**For BANSWARA SYNTEX LIMITED**

Hanuman Prasad Kharwal
Digitally signed by Hanuman Prasad Kharwal
Date: 2024.08.13 20:55:07 +05'30'

**(H.P. KHARWAL)**
**Company Secretary& G.M. (Legal)**
Membership No. FCS 12923
**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 66336586
Email : info@banswarasyntex.com

**REGISTERED OFFICE & MILLS**
Industrial Area, Dahod Road, Banswara – 327001 (Rajasthan)
Tel : + 91 2962 240690-93, 257679-68 | Fax : + 91 2962 240692
Email : secretarial@banswarasyntex.com

An IS / ISO 9001: 2008 Company | CIN L24302RJ1976PLC001684 | www.banswarasyntex.com

# "Banswara Syntex Limited Q1 FY25 Earnings Conference Call"

## August 07, 2024

"E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 7th August 2024 will prevail."

**MANAGEMENT:** **MR. RAVINDRA TOSHNIWAL – MANAGING DIRECTOR, BANSWARA SYNTEX LIMITED**
**MS. KAVITA GANDHI – CHIEF FINANCIAL OFFICER, BANSWARA SYNTEX LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Banswara Syntex Limited Q1 FY25 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 a guarantee of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in 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 "*" and then "0" on your touchtone phone. Please note that this conference is being recorded.

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

**Ravindra Toshniwal:** Thank you. Hi, good afternoon, everyone, and I welcome you all to our Quarter 1 FY25 Earnings Conference Call.

Along with me on this call, we have our CFO – Ms. Kavita Gandhi, and SGA, our Investor Relations Advisors. I hope all of you have been able to go through our investor presentation uploaded on the exchanges and on our company website.

Let me begin with the industry landscape, followed by our Financial Overview:

The nation ranks as the world's third largest exporter in the textile sector, leading in exports of several textile categories. Forecasts suggest that by FY'25-FY'26, the exports from India anticipated to reach US $65 billion. As per the union budget, the Government has allocated Rs. 4,417 crores towards the textile sector for the Financial Year '25. The allocation for the National Technical Textile Mission stood at Rs. 375 crores. Technical Textiles are special textile products designed mainly for their performance and functionality.

From the last fiscal, the industry has faced multiple challenges such as subdued demand, rising inflation, escalating energy expenses, increasing labor costs, geopolitical conflicts and tougher competition from countries with lower production costs. The industry is, however, on a path of gradual improvement in demand, both domestic and export markets. But the global geopolitical conflicts make the demand revival a little difficult.

Now let me take you through the financial performance for the 1st Quarter. Our total income declined by 10% to Rs. 274.7 crores in Q1 FY '25 on a year-on-year basis. The EBITDA stood at Rs. 20.8 crores during the 1st Quarter. Profit before depreciation tax came in at Rs. 12.7 crores and the company recorded a PAT of Rs. 1 crore in the 1st Quarter. Margins for the business have hampered on account of subdued demand scenario, coupled with pricing pressures in the industry globally.

Now moving to each of the business divisions:

For our Yarn division:

The revenue from the Yarn vertical witnessed a 25% decline in Quarter 1 against the quarter in FY '24 and down by 22% as compared with the last quarter that is Q4 FY '24. The decline is attributed to the muted demand along with labor shortages due to the election season. The sales volume also decreased on both a year-on-year and quarter-on-quarter basis in Quarter 1 FY '25. The capacity utilization in the Yarn division stood at 81% for the Quarter 1 FY '25. We will continue to focus on high-value yarn products that will lead to enhancing value growth. We are also focusing on modernizing our existing machinery for better quality and efficiency rather than doing the big CAPEX.

Fabric division:

Our Fabric vertical witnessed a growth in revenue by 10% to Rs. 113 crores in the Quarter 1 FY '25 as compared to the corresponding period last year. The capacity utilization in the Fabric vertical stood at 70% as compared to 65% in the last quarter. And for Quarter 1 FY '25, slightly up from last quarter. We have successfully launched our brand, Simone Federico & Figli, and we see good traction in the market. Efforts are being taken to make the Simone brand, a global brand.

Additionally, we are proactively expanding our customer base in terms of catering to midsized brands on a B2B basis in both the domestic and export markets. Our dealer network is already in place for the new brand.

Now about our Garment business:

For Quarter 1 FY '25, Garment sales declined by 14% year-on-year to Rs. 53 crores on account of subdued demand in both the domestic and international markets. The sales were impacted, particularly for suits and blazers. However, the domestic market has been good for the trouser category. The capacity utilization in the Garment vertical stood at 46% for the 1st Quarter of Financial Year '25.

In conclusion:

Despite the challenging time in our industry, India stands to benefit from a global demand diversification away from China. Along with the Indian textile market having a huge potential to grow domestically, the government is also working towards signing of FTAs with the U.K., which will be a good tailwind for the overall sector. And in the second half of FY '25, we are observing indications of market recovery, and we foresee a resurgence in demand. Going forward, our strategic focus will be to capitalize on emerging opportunities to drive long-term growth. Our commitment to innovation, efficiency and value additions remains unwavering as we navigate the evolving market landscape and continue to deliver to our stakeholders.

With this, I would like to open the floor for questions. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Yug Modi from AB Capital. Please go ahead.

**Yug Modi:** Sir, I just had two questions. How do you see the current situation in Bangladesh? And can you expect any incremental business coming to India if you could elaborate on this thing?

**Ravindra Toshniwal:** So, Yug, the position in Bangladesh is pretty recent and most of the customers, whether they're domestic or export, are going to wait to see what happens actually as it settles down. So, short term, there's not going to be any benefit. Long term, yes, if customers have been rattled once and now are putting a question mark on the political stability in Bangladesh, long term, they will look towards India. So, we do expect benefits to happen down the road. Immediately, maybe it won't be such a big impact. Does that answer your question?

**Yug Modi:** Yes, sir. So, secondly, sir, are we observing any signs of demand recovery from US and Europe markets and will the recovery spill over in the second half of the year?

**Ravindra Toshniwal:** Yes, we are seeing recovery in the second half of the year in demand from all markets in the West. It has been bad earlier, but now it seems to be improving quite well. So, yes, we are seeing a lot of demand even in Europe, particularly from the Eastern European countries like Poland, Czechoslovakia, Slovakia and all of the countries, we are seeing a good demand.

**Moderator:** Thank you. The next question is from the line of Surya from Sunidhi Securities. Please go ahead.

**Surya:** Just continuing from the last question from Bangladesh. So, just wanted to understand where the Bangladesh has strength is, I mean, Bangladesh strength what I understand is from the knitwears and the denim, whereas we totally don't present in that segment so far as garment is concerned. So, there is a massive opportunity that can come to India with the signing of the treaties and Bangladesh graduation to the LDC that is secondary. So, because if you see Yarn and Fabric, we are nearly optimally utilizing our capacities, and we are not focusing on major additions. And Garment is also underutilized. So, is there any plan to go to the other parts of the garment rather than sticking to trousers and jackets?

**Ravindra Toshniwal:** So, Surya good question. The question is one about Bangladesh being mainly knit intensive and not in the formal, let's say, tailored clothing, which is very correct. And Vietnam has taken most of this industry. And now that we have a very strong base in tailored clothing, and the tailored clothing is moving away from China to us, we do see that further capacity utilization in our suits business, suits and blazers, which is the one which suffered a lot in the last 2 years. Given that the demand for suits and jackets and formal clothing was also muted in India over the last 2 years, we see that now this cycle should come back because marriages in the seasons ahead, do seem to portray that there is a revival of demand and all pipeline is empty. So, one is that, yes, we will utilize our existing capacities for more tailored clothing in a better way. And other is that we will also reconvert some of our lines into more casual sportswear and more knit jackets, kind of like a bridge with the very casual stuff that is done in Tirupur and what we can do with a tailored factory will be more casual. So, yes, both of those things will happen.

**Surya:** And sir, just to give a perspective on the formal wears. I mean, let's say, our positioning maybe improved maybe towards the export front because some of the Indian competitors who are focusing on export market, they have fared well. I mean, let's say, I don't want to name those. But in our case, we focus on trousers. So, proportionately, those kind of growth should have happened. Why this disconnect from the export front?

**Ravindra Toshniwal:** Right. So, most of the growth in exports, in fact, has happened from the Tirupur part and more for casuals. So, I am just saying that we cannot switch between casual and tailored clothing very frequently, and all such switches are not easy to do in garment factories. And our garment factory is more tuned for tailored and sportswear, and we will continue to focus on those markets, the ones where we can make up to use our capacity is uniforms. And the uniform sector is something where we will get steady business, which will continue to come in our tailored clothing. And you have seen that we have engaged with several different armies in Eastern Europe like we have the business from the Czechoslovakian Army, the Slovakian Army. We are working on the Dutch uniforms and the German uniforms. And this is a huge market. So, we are really looking at continuing to be tailored clothing because there is more value addition in that, and we are more geared towards that, both in the Fabric as well as in the Garmenting. And improving the market share of the uniform business so that there is no variation even if the suit and blazer business doesn't do as well.

**Surya:** Sir, I have seen your facilities in trousers, so I understand that it is not possible to switch to casuals. But are you looking at, let's say, expanding all to other areas of casuals and others where the Bangladesh opportunity may come to India? That is my question. And secondly, as we note the capacity cannot be ramped up so quickly. So, it makes sense for inorganic move rather than organic. So, what is your take on that?

**Ravindra Toshniwal:** Okay. So, I mean, see, most of the growth we are seeing happen right now is in the Fabric business. As you can see in our Fabric business, the growth is tremendous. And there will be a lot of inorganic growth that happens with this acquisition of the brand that we did, the Simone Frederico & Figli. We have bookings of Rs. 25 crores already for this financial year in Simone. And we expect this brand to grow to really be a sizable brand in the coming years. So, we are going to use our facilities in garmenting also to get back to the Rs. 350 crores that we have achieved in garmenting with the existing capacity. And I am sure we can get that again easily to surpass that. We are restructuring our garment with a lot of inputs coming in from the customers to be able to do even better and, let's say, the kind of full canvas suits made to measure and various kinds of value additions that we can provide to customers. So, we do not want to shift the path away to a low value piece,this is our intention. We will achieve what we want in terms of the financial parameters for our own division. Within the infrastructure we have by augmenting it with different customers and different products, which are still more formal and more tailored.

**Moderator:** Thank you. The next question is from the line of Ankit Kapoor from Investar Investments. Please go ahead.

**Ankit Kapoor:** Sir, this is regarding your spinning division. A 25% fall is a huge fall as compared to other spinners are reasonably well. So, what is the particular yarn, which is not done or the thread is somewhere different? Sir I have checked up Arvind, I have checked up Vardhman, others also, they have done reasonably well in the spinning division?

**Ravindra Toshniwal:** You're talking about the cotton spinning versus synthetic. If you take spinning in Bhilwara, let's say, Sangam or Sutlej or RSWM, you will see a similar pattern as ours. And secondly, also, there has been a little problem of labor shortages during the election period in our region, particularly. But I think that the major issue is the different source you're comparing is between the cotton textile industry and the synthetic.

**Ankit Kapoor:** But the demand is catering towards the non-cotton type of fabric because of the cotton prices being higher.

**Ravindra Toshniwal:** Not really true, yet because a lot of the noncotton type of fabrics are being imported. And we have seen a growth in the Fabric business of our noncotton textile, yes. Overall, in the country, in spinning, the amount of synthetic yarn being produced and its particular pricing and its utilization, because of the capacity having been increased, has not been as good in the last quarter. We hope it will come back. We are expecting it to come back in August, and we are already seeing green shoots in July. So, I mean like what one thing I can share with you, that if you look at overall gross margin, and you compare our gross margin this quarter versus our gross margin last quarter or even over the previous financial year gross margin average to the gross margin in this quarter, this quarter is better with about 60 point some percent, 61% almost gross margin, whereas earlier, the gross margin was like 56%, 57%. We have got a 4% increase in gross margin, even though the raw material prices increased, and our raw material portion of the sales as a percentage increased. So, raw materials on the one hand, increased. The gross margin still was maintained and made better, which shows that we have been selling more value-added products, and which shows that we are able to sell those value-added products at better prices with a better gross margin. However, we are not able to sell enough of them. So, turnover dropped by 25%. How do you stimulate demand for better value products? Because as far as the commodity products are concerned, there's no margin and there's no demand.

**Ankit Kapoor:** It's volume driven. It's always volume driven, right?

**Ravindra Toshniwal:** Sorry, everybody is making commodity. So, there is no point in competing on that commodity level alone. The point is to create demand where there is no demand by offering novelty products, offering value-added products and taking as much share of the value-added market as you can. And that, we see, is happening.

**Ankit Kapoor:** And so going forward, sir, what is the outlook for your Yarn division, sir?

**Ravindra Toshniwal:** So, I think that the outlook for the Yarn division in Quarter 2 will be better and Quarter 3, Quarter 4 will be even better. So, that's as far as the Yarn division is concerned. Fabric, it looks wonderful all throughout. And Garment will start to pick up also in Quarter 3, Quarter 4 in significant ways. So, it's too early to predict what's going to happen. But I think at the end of the year, we are not going to be terribly bad. This is not going to be a disastrous year and it's not as if the trend is pointing downwards, downwards, downwards. We see this as an inflection point.

**Moderator:** Thank you. The next question is from the line of Nishi Shah from RH Investments. Please go ahead.

**Nishi Shah:** So, I have a couple of questions. One is like when can we expect to see an increase in the capacity utilization for our Fabric and Garment segment?

**Ravindra Toshniwal:** Okay. So, as far as Fabric is concerned, we already got an improvement in Quarter 1. It went from 65% to 70%. And we expect it to get better every quarter. So, we should be by the end of the year at back to 80%, 85% utilization as far as Fabric is concerned. Garment is the one which was the concerning one where we actually went down to almost 45% utilization. And we should try and get back there to the 60, 70s, 80s by Quarter 3, Quarter 4.

**Nishi Shah:** And regarding the PLI and FTA, are there any developments or potential benefits for the textile industry beyond what's reported in the media?

**Ravindra Toshniwal:** No. What's reported in the media may also not happen, all these government initiatives to achieve the results we are talking about. One way or the other, we have to capture market share by offering innovation, by offering better service, by doing the job better than others do it, and thereby taking market share away from the existing market, even if that market is not growing.

**Moderator:** Thank you. The next question is from the line of Karan Mehta from Mehta Investments. Please go ahead.

**Karan Mehta:** Sir, most of my questions are answered. So, just one question from my end. First, over the last couple of years, the spinning and Garment sector has faced many challenges compared to the Fabric business overall. While we have a more integrated business model many companies have adapted by sourcing Yarn externally allowing them to scale up their Fabric business more quickly. So, are we considering a similar approach? Or is there something we view as something unrealistic?

**Ravindra Toshniwal:** Thanks, Karan, for your question. I was going to answer your question about the Yarn business as compared to the Fabric and what we could do in our Fabric business to outsource yarns, free up our Yarn business for increasing sales independently and be able to, thereby also scale up the Fabric business based on that or if we had other plans. That was your question, right?

**Karan Mehta:** Yes.

**Ravindra Toshniwal:** So, I think on the worsted yarns, which are more specialty yarns, we are making an investment on our own, and we are going to increase the worsted fabric capacity. On regular yarns like filament yarns etc., we are sourcing more. And the percentage of fabric that we are producing based on cotton yarn that we buy from outside and filament polyester that we buy from outside is increasing. We are even importing certain Chinese poly viscose specialty yarns. And so the usage of our internal yarns may go down or may not because the Fabric business as a whole is also increasing. But as a total percentage of the Fabric business, the amount of yarn we use internally will keep going down. Yes.

**Karan Mehta:** Understood. Sir, and if I can just add one more question. Sir, Bangladesh, as a region, has faced many challenges in terms of their overall performance. Like we have seen wage hike earlier and now the current issues that are going on. How do we see businesses shift from Bangladesh to other regions, if you can throw some light here?

**Ravindra Toshniwal:** So, I mean, customers move slowly, and they will evaluate over a period of time now what happens in Bangladesh because the advantage that Bangladesh has for Europe is clearly the duty advantage, which India doesn't have because of the special status they have for duty free goods from Bangladesh. So, as long as we don't get that, that's not going to be a major reason for people to shift to India. And meanwhile, long term, yes, there is a lot of tailwinds in our favor, and we are getting a lot of responses from customers who want to have a longer-term relationship with India. But to translate into real business that can keep our lines occupied and have better capacity utilization, for that to happen, we really need a lot more relationship building with customers one on one with a lot of large customers who actually support us through this transition. Because initially, as we make the move, we would lose some money, running lines at the same price as which lines would be running right now, which are completely optimized, right? I mean whenever a customer moves to us, he is not going to pay us some higher price and he would expect the similar efficiencies to be achieved by us, which are being achieved already by existing customers who have been running the lines for many years. So, initially, we lose and then we will gain, and which is what we are seeing happen across a lot of the investments we have made right now and which is why also the results show that some of the investments we made have increased our cost of interest, have increased our expenses of overheads and overall salaries etc. And yet we haven't been able to get the increase in the topline. So, in spite of a better margin, without the topline increase, we are not able to translate it into better profit. And I hope that is going to begin to change because a lot of seeding has been done. And as soon as the seeding results in more fruits and it begins to grow, we will see the difference. We are optimistic that this will begin to happen definitely in the second half.

**Moderator:** Thank you. The next question is from the line of Parth from KK Advisor. Please go ahead.

**Parth:** Actually I joined a little late, so please, apologies for if in case of any repetition. So, I just had two questions. So, first one, I just wanted to know how is the demand for jackets and blazers expected to evolve in the near future? And could you also provide the production numbers for trousers, blazers, and jackets for Quarter 1?

**Ravindra Toshniwal:** Okay, Parth. So, by and large, the demand for jackets now seems to be on an upward trend, primarily because the pipeline for Indian domestic formal wear is quite empty and we see a big wedding season ahead. For the export market as well, there is some revival and most of it is happening in the uniform business, which is for specific institutional sales, that's to the armies and police and particular workforce, which may be cruise liners or airlines or things like that. So, yes, there is going to be a better capacity utilization on the jacketing part. To answer your question about specific numbers, I am giving it to Kavita.

**Kavita Gandhi:** Yes, Parth, you wanted to understand the numbers, like what are the volume what we have sold in the quarter. So, if I can tell you the volume what has been sold is around 7 lakh odd pieces put together the jackets and the trousers. In Quarter 1, the jacket proportion is lesser, but we are very optimistic about catching up in Quarter 3 and Quarter 4.

**Parth:** Sir, second one, if you could just provide an update on the Simone brand and its current performance?

**Ravindra Toshniwal:** So, yes, Simone has been launched, we have created a syndicate of distributors across the country from all four regions of North, South, East, West. And there's about 20 very big dealers and then there'll be sub-dealers and appointees across the whole country. And we are having several conferences. We had one in Goa, we had one in Phuket, and we are going ahead with several regional conferences. We have one in Ahmedabad. And so this will continue, and we think that we will be able to get a sale at least of Rs. 25 crores in the first financial year in Simone. And every year, we expect to double this. So, that's the growth plan. We expect to be at Rs. 500 crores, Rs. 600 crores, even Rs. 1,000 crores in 5, 6 years from now.

**Parth:** All right. That sounds great. So, lastly, just on the Technical Textile business, Tesca, how is that performing? If you can just give some clarity, sir.

**Ravindra Toshniwal:** For Tesca Quarter 1, we did a turnover of about Rs. 19 crores. And our quarter-on-quarter growth seems to be flat, but the year-on-year sort of declined by about 16%. However, this again looks pretty good for Quarter 2, Quarter 3. And also, other than Tesca, we have been doing a lot more technical textiles for the defense forces. And we have been doing special fabrics for fire retardant and anti-abrasive fabrics, which are rip proof for the Air Force and tents for the Army and various other fabrics for our institutional armed forces. So, that's also been a good development, and it continues to grow.

**Moderator:** Thank you. The next question is from the line of Ravi from Opal Securities. Please go ahead.

**Ravi:** So, you spoke a little bit about the finance cost. I just wanted to ask you like what kind of finance costs should we expect going forward right now as it has increased during the quarter?

**Ravindra Toshniwal:** Yes. I am going to give this to Kavita for answering.

**Kavita Gandhi:** You are right, the finance cost is on an increase trend. The reason being that, that as we explained in the earlier talk, we are looking for a CAPEX plan in our worsted and we are also looking for decongesting our mill and making some realignment. So, we are doing some civil work and all that. So, there will be addition in our long-term borrowings. So, due to that, there will be a finance cost higher than compared to the previous year. It will be in the range of around Rs. 35 crores but let's see how we go ahead on the CAPEX and how do we increase. So, it will be changing quarter-on-quarter.

**Ravi:** Understood. So, this ties into my second question, then what would be the total estimated CAPEX that we are planning for FY '25 and FY '26, sir

**Kavita Gandhi:** So, expected CAPEX over a period of 2 years, if I can draw the line of sight then it will be in the range of around Rs. 180 crores to Rs. 190 crores, but it will be over a period of 18 to 24 months, not all at a time.

**Ravi:** Understood. My last question would be on the inventory and raw material. Right now what kind of inventory are we shaping at? And how much of that will be finished goods and WIP?

**Kavita Gandhi:** So, inventory, raw material is almost on the similar trend, we are keeping, we are not increasing on that. Yes, there is a little in this quarter, the inventory on finished goods has little been increased. But that is all because of the orders what we have in pipeline. So, it will get billed in a subsequent period. So, though the overall inventory has increased over the previous quarter, but it's all in line with our projections, what we have lined up.

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

**Ravindra Toshniwal:** Thank you. So, I would like to thank everybody for attending our earnings call and for providing your valuable input and questions which we always welcome and it always helps us to improve our performance. We do recognize that this has been the worst quarter that we have experienced in a long time in terms of the financial results. However, this is as bad as it gets. And we expect everything to be better from here onwards. So, we continue to hope for your belief in our company and its results, and we will continue to make the efforts necessary to deliver the results as we go along. Thank you very much. Good afternoon.

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