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(Maharashtra)

National Stock Exchange of India Ltd
Exchange Plaza Bandra-Kurla,
Bandra (East), Mumbai-400051
(Maharashtra)

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Sub: Transcript of Q4 & FY 25 Earnings Call held on 16th May, 2025.

Dear Sir/ Ma'am,

Pursuant to Regulation 30 & 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith a transcript of the **Q4 & FY25** Earnings Call held on Friday, 16th May, 2025. The same is also available on the website of the Company i.e. <https://www.banswarasyntex.com/transcript-of-earning-conference-call/>

You are requested to kindly take the above information on your record

For BANSWARA SYNTEX LIMITED

Ketan Kumar Dave
Company Secretary & Compliance Officer

Enclosed.: as above

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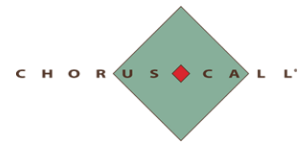
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**“Banswara Syntex Limited
Q4 and FY '25 Earnings Conference Call”
May 16, 2025**

“E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 16th May 2025 will prevail.”



**MANAGEMENT: MR. RAVINDRA KUMAR 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 Q4 and FY '25 Earnings Conference Call hosted by Banswara Syntex Limited.

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 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 this conference call, please signal an operator by pressing star and zero on your touch-tone phone. Please note that this conference is being recorded.

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

Ravindra Toshniwal: Thank you. Good afternoon, everyone. I welcome you all to our quarter 4 and financial year '25 earnings conference call. Along with me, we have on this call, our CFO, Ms. Kavita Gandhi, and SGA, our Investor Relations advisors. I hope all of you have been able to go through the investor presentation uploaded on the exchange and our company website.

Let me begin with a significant development that has the potential to reshape India's textile trade landscape, the recently signed FTA between India and the U.K. This is a major step forward for the industry as it aims to eliminate tariffs and create a level playing field for Indian exporters, especially when we compete with countries like Bangladesh and Sri Lanka that already enjoy duty-free access.

Currently, India's apparel exports to the U.K. stand at USD1.24 billion, and we expect this agreement to substantially increase the share. Moreover, there will be a 12% advantage in duty that will accrue to India due to this FTA. This is particularly encouraging for Banswara, given our historical relationship in the U.K. market, and we hope that this FTA will also extend eventually to the European market, for which the government is at work. We see these as major tailwinds for our future growth.

Add to this, there is also the tailwinds which come from the U.S. market. And for the U.S. market, we see that there is a lot of momentum to replace China due to the differential tariff between India and China in spite of the latest changes.

Now zooming out to the broader industry. The Indian textile and apparel sector continues to strengthen, supported by a blend of domestic growth and global opportunity. The industry is projected to grow at a CAGR of 10% and reach USD350 billion by 2030. And at the global level, the apparel market is expected to reach USD2.4 trillion. While the global textile and apparel trade is estimated to touch USD1.2 trillion by 2030, growing at a respectable CAGR.

India's apparel market alone is expected to reach USD146.3 billion by 2032. And we hope with the rising disposable income, a growing middle class and a clear shift in consumer preferences towards quality, fashion and brand.

Government initiatives also continue to support growth. The PLI and the proposed MITRA parks are building large-scale globally competitive garment infrastructure and manufacturing capacities, and we expect these initiatives to significantly boost India's competitiveness and encourage further investment. On the global demand side, the U.S. continues to be a major market for garment sales, and we are seeing a steady recovery and growth of 10% to 12% internationally and 9% to 10% domestically. We are seeing an improving retail sentiment, and we hope this will continue to be buoyant.

In summary, the strategic trade shifts enabled in the new trade environment by the India-U.K. FTA and our new positioning in the global market will be exciting for the Indian textile industry and for Banswara in particular.

Talking about our annual financial performance. For FY '25, our total increase in income was 2% year-on-year, and we touched a turnover of INR1,307.5 crores. This growth is primarily attributed to a strong 19% year-on-year increase in the Fabric division, coupled with improved demand in the Garment vertical.

We continue to enjoy a good industry gross margin. And in FY '25, it stood at 58.4%. Our EBITDA stood at INR117.2 crores, which was a decline of 2.8% from last year, and our EBITDA margin was 9%. We reported a profit after tax of INR21.4 crores for this financial year.

For our Q4 performance, our total income saw a marginal decline of 1.6% on a year-on-year basis to INR346.6 crores. This was also due to the challenges of worker shortages and also a little subdued domestic demand. Our EBITDA stood at INR31.5 crores in quarter 4 with a margin of 9.1%.

Largely, the performance of quarter 4 was stable. This was supported by some reduction in raw material costs. However, the overall profit was not as good as quarter 3 due to some exceptional costs accounted for in quarter 4.

Consequently, our profit after tax declined to INR5.1 crores for Q4FY '25, a decline of 38.4% from Q4FY'24, where PAT was INR8.3 crores. This was mainly impacted by increase in our finance costs and certain exceptional items, as I mentioned earlier.

The net debt has increased by about INR100 crores from INR346 crores to INR456 crores from the last financial year to this financial year (Wrongly said, this should be read as, The net debt has increased by INR 109.5 crores from INR 346.7 crores in FY24 to INR 456.2 crores in FY25). This increase in debt is primarily attributed to investments made in machinery, modernization, plant upgradation and some working capital. Overall, the debt equity ratio stands at 0.81 as on FY '25.

Now speaking about divisional performances. The yarn division revenues had a drop of about 10% compared to FY '24. Capacity utilization was similar to last year. The decline in revenue was primarily due to the ongoing modernization of machinery. And due to this, certain capacities were not utilized completely as well as some labor shortages that were accentuated within this year.

Also a higher internal consumption of yarn by our Fabric and Garment divisions contributed to the loss of revenue in yarn. These factors impacted the overall performance of the yarn division. Looking ahead, we are focusing on developing and scaling specialized yarn to drive better realization in the yarn business.

The Fabric division was the exception and showed very strong momentum. We saw a strong pickup in production during quarter 4, supported by a healthy demand from both domestic and international markets. The revenue grew 19% in FY '25 compared to FY '24, and the revenue reached INR540.5 crores in the Fabric business alone. For Q4 FY '25, we reported a 10% increase to INR144.5 crores.

The sales volumes went up on a year-on-year basis, and the capacity utilization improved 79% from 77%. (Wrongly said, this should be read as, Capacity utilization has improved to 77% in FY25 and 79% for Q4FY25.) Our products have been received well globally, and we are optimistic about the opportunities this has shown. Our brand business of Simone Federico & Figli has delivered a good performance, achieving profitability in their first year, and we remain confident about the growth of our brand in India.

Our Garment division was undergoing a structural change that we had informed in our last investor call. We had closed down the Surat division. And due to this, we saw a revenue decline of 3% year-on-year to INR275.4 crores with the additional costs of the shutdown and change into a DTA division, the margin was also affected, and we did have a loss in the Garment business, which has impacted our quarter 4. And as well as the overall results in the Garment division for FY '25 have not been as good as last year.

This is a temporary transition due to the change in the production. We do see that business commitments for the future are better, and we expect the Garment business to bounce back within the next year. So despite the global headwinds, our Garment business continues to grow steadily in the European Union, and we are working on building long-standing relationships with a few new U.S. brands, and we are also actively engaging with all of the new inquiries that are coming our way.

In closing, we remain confident about the road ahead. The supporting tailwinds of the trade agreements as well as global shift away from China will help us. Banswara is well positioned to capitalize on these emerging opportunities. The growth in man-mades is very buoyant and consumer confidence in India is steadily improving. Demand is expected to strengthen further with the rising disposable income in the middle class, easing inflation and a favorable economic outlook. India remains the exception globally for growth, and we hope to be able to be a big part of it. The textile and apparel sector are well placed, and we look forward to being able to meet the needs and preferences of consumers to drive sustained growth. Thank you very much.

I think we are open for questions now.

Moderator: Thank you very much. The first question is from the line of Raman KV from Sequent Investments. Please go ahead.

Raman KV: Sir, I just want to understand that in the PPT, you mentioned that the capacity utilization with respect to the Garment segment will improve as you will shift from SEZ to DTA. So I just want to understand the rationale of this whole -- like why weren't we able to utilize the capacity when we were in SEZ? And how are the things going to be different with respect to us moving into a DTA area?

Ravindra Toshniwal: Right. So when we started this decision to move from the SEZ to DTA, it was driven by 2 reasons. Number one, we get an extra incentive when we are in the DTA area for exports, which is about 3% to 4% additional. Number two, when we are in a DTA area, we are flexible to both cater to the domestic market and export market. So sometimes the demand is better in export, sometimes it's better in domestic. So the average utilization over the year becomes more stable since we have the flexibility. Have I answered your question, Raman?

Raman KV: Yes sir, my second question is, again, on the utilization front. So we have seen that on an average, the Yarn and Fabric are at 80% utilization, whereas the Garment is lagging at 46% utilization. So with the India signing free FTA with U.K., will the utilization have a drastic improvement in the coming years?

Ravindra Toshniwal: We're certainly hoping so. So we are trying to build the relationships with customers primarily in exports. Our utilization will improve and also the value addition should improve as a consequence of these FTAs. So yes, the tailwinds are favorable. So far, the Garment unit has not been contributing very much to our bottom line, but we expect this to change in the next year.

Raman KV: So with respect to the Garment division, one, is it like profitable? Is the company making profit at PAT bottom line and at EBITDA level? And what is the current order book from Garment?

Ravindra Toshniwal: Order book is looking good for quarter 2 and quarter 3 because Garments orders are coming in, in advance. Quarter 1 is not that good. But I think overall, the demand in this year should get us back even in the Garment business with a profitable mix. Last year has not been so great in the Garment division. And I would say it's flat. We haven't really made much money or lost much money.

Raman KV: Okay. So we are at breakeven, right?

Ravindra Toshniwal: Yes. In the Garment part. Yes. Positive is that now we are seeing very good momentum in the Fabric business and Yarn business itself is also picking up a lot. So we are seeing that the core of the business, which will be like we are planning a turnover, we closed almost at INR550 crores this year in the Fabric business. Next year, our targets are about INR650 crores. And in the Yarn, we are expecting about INR550 crores. So between the Yarn business and the Fabric business, we should get about INR1,200 crores next year.

Raman KV: And then the add-on will be the Garment business, right?

Ravindra Toshniwal: Right. Exactly.

Moderator: The next question is from the line of Karthik Nair from KN Brooking.

Karthik Nair: I have a question. Can you tell me what you expect for EBITDA margins in FY '26? Do you think it's possible to get back to the margins we had in FY '23?

Ravindra Toshniwal: We're certainly going to try, but it looks like there are some -- maybe FY '23 was an exceptionally good year. We had a turnover of about INR1,550 crores, and we got an EBITDA margin almost 15%. So I think we'll be close, but not exactly there. We hope to surpass it in the FY '27.

Moderator: The next question is from the line of Janish Shah, an individual investor.

Janish Shah: I just have, one broader question in terms of the changing situation right now in a global supply chain right now. And I think you have been sounding very bullish for last many quarters about India replacing China. One of the steps which already has been cleared is the U.K. FTA.

But I think when we are looking at the situation, maybe about a couple of quarters back where U.S. probably would be replacing many of India -- I mean, U.S. will be replacing China as with India. However, it looks to be more like a smooth journey, but it looks like it's not going to be like that.

So how are you assessing this situation right now, especially when in the interim, we have a tender -- of course, there is a duty differential right now on the interim basis. But when we look ahead, maybe for next -- I mean, post these 90 days are over, how do you see the clients or how are the clients evaluating the situation for adjusting their supply chain?

And second, if India were to benefit, is it at the cost of the margin, which Indian manufacturers may have to give up maybe in a short term or medium term, I don't know. But it could be a situation where you get a volume, but you may have to sacrifice the margin to compensate for the -- any increase in the tariff.

Ravindra Toshniwal: Janish, thank you for a very good and interesting question, but there are several questions within the question. So you've spoken about one is the short-term part that you expected short term some gains to happen from the U.S. market. In the short term, in fact, what happened is that most of the companies in the U.S. and customers in the U.S. banked on buying more from China before the tariffs kicked in.

So actually, all of the sales from China in up to March increased and many containers, as you know, would have come into the U.S. from China before the tariff was actually announced. And then when the interim part was there as well and now another interim relief has been given to China, in fact, it is their old relationships being used with whatever supply base they were used to with China that most of the U.S. customers resorted to in the short term to cover, right?

So we didn't see that transition happening smoothly. In fact, it happened in the reverse way. So whatever we were counting on didn't happen in the short term. Now when you look at this long term, clearly, there is going to be a difference between what is the tariff on China and what

would be India. We don't know what it will be post July 4. But it will be -- it is expected. Right now, the effective duty even after the concessions given for China is coming to 39%. And for us, it is 10%. So this is still a good margin for us to long term get the business away from China.

We have also found that our cost competitiveness as compared to China is very good now. India has got all of the raw materials and the technology and the scale available to be able to produce in the man-made business articles almost at the same price as China, if not even better at sometimes. All we have to do is improve our ability to deliver faster, which is also improving.

So I see that long term, which we will begin to see this probably in quarter 2, quarter 3, but we will definitely see a bounce back in the U.S. market for India as a whole and particularly for Banswara because Banswara, we were doing a business with the U.S. pre-pandemic. And even on FY '23, we did a business with the U.S. of about INR100 crores plus, and now it's dropped to INR50 crores. So we are hoping that we have another chance to get back to better than FY '23 in the next 1 or 2 years.

Janish Shah: Yes. But is this business going to come at the cost of margin?

Ravindra Toshniwal: No, it's not going to come at the cost of margin to answer that question because we are as competitive and we are not sacrificing our margin while quoting and getting business from the U.S. We have sufficient depth in our Indian market itself to get margins. The products we are making are more high end in worsted wool, in stretch polyviscose fabrics and in dress-up fabrics, where we have significant amount of, let's say, differentiation but that we can command the prices we are asking from the customers.

Janish Shah: Okay. So you mean to say that the duty, which will be -- or which is coming in or effectively right now coming through or in the future, that will be passed on to the consumer, U.S. consumer. I think the buyer will absorb it, you as a supplier will not be required to share any burden of that?

Ravindra Toshniwal: No. We will not because, in fact, it might even help us to increase our prices a little since they are just looking to replace the Chinese price with a price that works from India. If our costs and structures allow us to do that now, which we see that it can, we have the potential to -- the difference that they have from China, they cannot really find any sources easily to be able to replace that other than India, particularly in a supply chain, which is based in one country.

And this is very important because speed only happens when you can have the entire supply chain all the way from fiber up to the garment in one country, then you can achieve scale and speed. This is exactly where we are right now in India.

Janish Shah: Okay. And maybe just stretching this a little further, just to get some better understanding. Are we -- like in the past, generally, the opportunity for replacing China has gone to neighbouring countries like Vietnam and Bangladesh and many other South Asian small countries. Do you think right now, I mean, at this point of time, they are at -- I believe they are at a similar kind of a tariff structure as we are right now.

Do you think this time or in your opinion, how would they going to behave in the -- like I'm saying they are going to play a part. I mean, is it the hope and probably this time, it will -- I mean, last time, it was a hope, but then it turned out to be the other way, the other countries benefited. So how do we see -- I mean, is there a risk of that happening again here?

Ravindra Toshniwal:

So when you look at the markets other than the U.S., the benefit for Bangladesh and Sri Lanka was in the duties, both to the U.K. and European Union. Whereas to the U.S., it was only a question of the labor difference, the charge. So India did gain a bigger share of the U.S. market even in garmenting, and it grew well. I expect this will grow even better compared to Bangladesh now that -- one of the things that the customers are looking for is proof of origin and the source of origin of the fabrics and raw materials used in the garment.

This is because now they want to check the supply chain and are not just satisfied that the garment comes out of China with Chinese -- which comes out of Bangladesh with Chinese fabrics. This is why we are seeing a shift from the customer who wants to move away from just finding a garment source without any traceability to the proof of origin. They are now asking for that traceability. So therefore, we think that this will change substantially.

Moderator:

The next question is from the line of Nirbhay from N Square Capital.

Nirbhay:

Sir, you mentioned there was some one-off costs in this quarter's number. What exactly were these one-off costs?

Ravindra Toshniwal:

Right. So I'll let Kavita explain this to you. We had shown, in fact, in this last quarter that there has been other comprehensive income, which has come from our gratuity non-payments that we need to do. I mean, because this was a write-back, which is available to us for workers who have left and have not claimed gratuities. But this is the expenses we had, which were additional compared to quarter 3 and quarter 4, I'll let Kavita explain.

Kavita Gandhi:

So Nirbhay, as per accounting standard, certain provisions were supposed to be made. One of the provision that we had to carry out is we have one subsidiary company called Banswara Brand Private Limited. That company is in the online e-com platform business. And when you create a brand, you have to have a substantial investments to be done. But accounting standard works on a different manner.

So we had to take a INR1.6 crores as a provision on that. So this is a onetime kind of a provision and certain other, as per the accounting standards on some aging and all that things, you have to make some expected credit loss and all that. So these all are the onetime expenses. And some breakdown had taken place. So some stores' consumption took place a little heavier. So all this had happened to be in the quarter 4. So that's the reason what was mentioned that it was a onetime additional provision or a special provision needed to be kept.

Nirbhay:

All will be less than INR2 crores?

Kavita Gandhi:

Individual component, what I shared was less than INR2 crores. So that is how that the gap what you see between the PBT of quarter 3 and the quarter 4 will come to that level.

- Nirbhay:** Okay. Well, so if we look at the garment division capacity utilization, you mentioned 46%. So would it be fair to assume that we can do more than INR500 crores revenues if run fully?
- Ravindra Toshniwal:** Capacities are available to do it. The question is about getting orders that are profitable enough and where we are getting steady orders so that we don't have to keep retraining workers and not being able to keep them occupied for the whole year. So yes, the potential is there. And I believe that with all of these tailwinds, that potential can be utilized.
- Nirbhay:** Earlier, we have crossed around -- we have reached up to a level of INR400 crores. Am I correct in garment 2, 3 years back?
- Ravindra Toshniwal:** Yes, almost INR400 crores. You're right.
- Nirbhay:** Yes. So if, let's say, there's sufficient order, what is the optimum -- maximum revenues we can do in the garment?
- Ravindra Toshniwal:** I can calculate -- I think about INR400 crores, INR450 crores is what we have right now, the capacity for. If we get more jacket orders, it will go up to INR450 crores.
- Nirbhay:** Okay. So because based on current capacity utilization, it shows more than INR500 crores. But what I was looking for is, let's say, 1 year or 2 years down the line, if we have got more than that, will it take significant time to add capacities or?
- Ravindra Toshniwal:** Not really. I mean we are just looking for the order book position to be more buoyant, and we will be ready to deploy whatever machines more are needed. There is space already available in our factory.
- Nirbhay:** Sir, last 2 years, we have invested significant amount of money in gross block. But that's not translating into any incremental revenue. So that is one worry because -- I mean, our net debt has substantially increased and our revenues have more or less remained flat to declining. So do you see this changing for sure in FY '26 and '27?
- Ravindra Toshniwal:** Yes. I think our targets are to be at least at INR1,550 crores in the FY '25- '26. So we should get there. There is really no more capex required now for the next 2 or 3 years at least. And we should be able to get to INR1,800 crores and even INR2,000 crores, as I kept saying all the time with this capex that we have done.
- It has increased our modernization. It has done everything required. And now we are just going to have to stick our heads down and focus on growing the market and on sales. So we are seeing a very good momentum in the Fabric sales, where 20% growth is happening year-on-year and it's been happening for 3 years.
- We're seeing Yarn to be very steady. Garment has been up and down. So let's hope that we can get that Garment business momentum to aid us. And the other 2 businesses are already on a good footing and can get better. So our target is to achieve about a 12% EBITDA and INR 1,550 crores in the next financial year.

- Nirbhay:** Okay. 12% EBITDA margin.
- Moderator:** The next question is from the line of Runit, an individual investor.
- Runit:** Yes. So your peer, Raymond has recently expanded its manufacturing and become the third largest garmenting player in the world. So I want to know like what effect will have on you because the demand for suiting has not been that quite strong for the last 2, 3 years. So this excess capacity coming in. How do you think will affect you?
- Ravindra Toshniwal:** Yes, Silver Crest, Raymond has expanded their capacities. But this is a very small capacity that we're talking about in India as compared to what capacities existed in China that are shutting down in the whole suiting business. So there is a lot of relocation of goods that will come to India in the tailored clothing business. And we expect that this is just a question of having a relationship with maybe 2 customers in the U.S. that can fill these capacities completely.
- So I don't see this being a real challenge at all. I mean more capacity is welcome because as India becomes known for garments, more and more people will come to India. If you don't have the capacities, there will be very few customers. This is kind of like when you have excess capacity, then all of it gets used.
- Runit:** Okay. And one more question I had. So a lot of your peers are having the manufacturing into Tier 3 and Tier 4 cities for garmenting to leverage on the cost differentials of reduced labor costs and to capitalize on Bangladesh Plus One. So given that you're in Surat and Daman, the labor cost would be quite elevated compared to these regions. So are you looking into any other region because I believe Madhya Pradesh has a great textile policy coming up.
- Ravindra Toshniwal:** Many states have good policies, and there is a trend towards going towards Orissa, Andhra Pradesh and many other states where the labor is cheaper. However, for the moment, we are not looking at a major expansion in our garment capacity outside of these premises.
- We want to use our capacities fully before we make any further investments in garmenting. We are happy to grow the fabric business even faster than 20%. We are happy to grow the Yarn business in value-added and achieve our turnover -- and our turnover projections even without Garment growth crossing INR400 crores. We don't see that as a prerequisite. We are happy to have garmenting capacity grow in India because that will help our fabric sales anyway.
- Runit:** So the focus would be mainly on fabrics like going forward or like you would want to increase the exposure to garments also because as a vertically integrated player, we should focus more on garments, right?
- Ravindra Toshniwal:** Not necessarily. I mean we are happy to focus on delivering whatever gives us a better EBITDA margin. And right now, the business that gives us the best EBITDA margin is the Fabric part. And it is substantially higher than the Garment EBITDA.
- Moderator:** The next question is from the line of Hitesh Randhava from CAGR Quest Capital.

Hitesh Randhava: Sir, I joined the con call late actually. So I'm sorry if you've already kind of maybe given answers to my question in your introductory statements. But my first question is that what are the kind of investments that we are making in the brand business?

Ravindra Toshniwal: Thank you for asking. So the brand part, just now Ranjit just mentioned -- no, Runit mentioned that -- he was talking about Raymond's, and Raymond's today is one of the best-known brands in the fabric business, and there's also Siyaram and many other brands. But I would say Raymond and Siyaram are the 2 names I would benchmark with. And we look at the Indian market for branded fabric as something that is still very relevant and where growth can be had.

India today has a large network of wholesalers who then cater to various outlets that sell fabric over the counter where people go to tailors and get them tailored. This market is not going away. So we are making a substantial investment in terms of spending maybe INR3 crores to INR4 crores on advertising. We even expect to begin to do some advertising on television to create our brand Simone Federico to be well known.

Last year, we did only a sale of about INR11.4 crores in this brand. But this year, we are targeting to do INR50 crores. Our distribution network for this is being built. And we are also going to launch a new brand at a different price point, which will be Federico. So there'll be Simone and then there'll be Federico, both, which will cater to a price point which is more cost effective and will be less about worsted woolen fabric and more about synthetics, which will be more affordable with stretch.

So these are growth areas where we think that the domestic market, for example, Siyaram sells about INR2,000 crores of fabric in the domestic market, most of it over-the-counter. Raymond sells another INR2,000 crores - INR3,000 crores. And the overall over-the-counter market for fabric alone is something like about INR15,000 crores in India.

So there is a large total accessible market available, a lot of it being filled with Chinese fabrics that are imported, and we are hitting this base very hard for all the wholesalers to buy from us rather than have to import fabrics from China. This will be a growing opportunity and with good margins.

Hitesh Randhava: Okay. And what is the total capital commitment? So you did say INR3 crores to INR4 crores advertising, but what is the total capital commitment that we are making or willing to make?

Ravindra Toshniwal: Capital commitment in the sense of we already have the capacities for the brand. So all we have to -- I mean, we are using our fabric capacities to build the product for the brand, which is all based on our yarns, our weaving, our finishing. So there's really no more capex to be deployed to build the brand other than advertising.

Hitesh Randhava: Okay. Okay. So then would I be right in assuming that, okay, this INR3 crores to INR4 crores that you mentioned, that's the annual capital that we would be kind of dedicating it next year in FY '26?

Ravindra Toshniwal: Correct. correct. Just towards advertising and building of the brand for which we expect to get a sale of around INR50 crores. So it's not a large percentage. It's just 6% to 10% of our total sales will be in advertising.

Hitesh Randhava: Okay. Okay. So Mr. Toshniwal, see, I understand opportunity size, et cetera, you did speak about actually. My reservations over here are that obviously kind of we do not have many examples of success stories actually as far as brand building in this segment is concerned. Raymond is a very old brand. Siyaram, again, a very old brand, trying to make a comeback. They're getting into retail, et cetera, as well.

So why did we decide -- could we have kind of maybe held on to our kind of brand building aspirations because the last couple of years haven't been kind of that great. It's been a bit up and down. And after the last couple of years, finally, we are getting some tailwinds actually in the sector wherein kind of we might be able to capitalize and ramp up on our existing segments.

So could we have waited because my concern is that, okay, we haven't kind of maybe stabilized our existing segments since the last 2 years. And now we are making some commitment over here. So we might end up being in a situation where it's a kind of -- our existing segments might just start doing well, but our return ratios or profitabilities may not kind of maybe improve that much because of our -- maybe some losses over here that we may make.

Ravindra Toshniwal: Okay. Hitesh, your concern is well appreciated. However, I have to tell you our ambition is to grow the overall Fabric business. And to grow the overall Fabric business being in India, you cannot ignore the over-the-counter market. That is a very large part of what business in India for fabric suppliers means.

So we are allocating a portion of our budget towards that, which is very small. Our total sales will be INR650 crores. This year, we closed in Fabric at INR550 crores. Next year, the projection is INR650 crores, out of which INR50 crores only will be brand sales. The balance growth is all in our regular segments, right?

So we are using this vehicle of brand building only to get a better image. That image helps to propel our price across all of the INR650 crores. So it improves our margin effectively. It just takes us away from being just another industrial supplier of fabric to a branded player across the INR650 crores. So there is a lot of leverage to be had from having this.

You see today, Siyaram has a net margin just selling fabric over the counter of almost 10% net. So there is a lot of money to be made here. They get an EBITDA margin, which is much higher than what we are talking about, almost 17%, 18%. This is a point where we are seeing money to be made, [Inaudible 0:45:23] to be used where, in fact, we could have done this earlier, but we focused on product rather than on the marketing part. Now we want to focus on the fact that we have the best product, we also need to market it with a brand.

Hitesh Randhava: Right. Okay. Fair point. I understand that. And see kind of the guidance that we gave of INR1,550 crores and 12% EBITDA margin, kind of say, INR1,550 crores, what is the confidence

level that we have kind of -- can we put it in a range as well that, minimum to maximum in a range what we might be able to do rather than a single absolute figure?

Ravindra Toshniwal: It is what we got in FY '23. We achieved that already. And we have got even an EBITDA margin better than that in FY '23, which I would say was a very exceptional year because we had just come out of that trough of the COVID recession, and there was a supply chain shortage and everything is doing well. So we are going to be definitely better than what we did this year. And we are hopefully going to be back to at least the level we were. So I mean, anywhere between INR1,250 crores and INR1,550 crores is the range.

Hitesh Randhava: Okay. Okay. And one last question to kind of...

Moderator: Sir, sorry to interrupt, but can you please rejoin the queue? The next question is from the line of Shaurya Yadav from PinPointX Capital.

Shaurya Yadav: Sir, I have one question. Like we are aiming for 12% operating margin. So my question is what things should go in our favor in order to achieve this number? If you can explain me 2, 3 aspects?

Ravindra Toshniwal: So number one, we should achieve the INR650 crores in fabric business that we are talking about and INR550 crores in the yarn. If these 2 things happen, regardless of what happens in the garment business, we will achieve our margin. These are the 2 important areas.

Moderator: The next question is from the line of Raman KV from Sequent Investments.

Raman KV: I just wanted to understand what is the order book at the company level? And if possible, can you give us the segment-wise order book?

Ravindra Toshniwal: I don't have that information right now, but Kavita can get back to you if you get to her later to consolidate that. I mean it's healthy as far as our Garment booking is concerned, it's healthy from quarter 2 onwards. And the Fabric business, we usually have an order book, which is full for 45 days to 60 days. And Yarn business is usually full for about 30 days.

Raman KV: And sir, one slight question on the brand business. How much are we expecting sale from brand business this year?

Ravindra Toshniwal: I can say that's INR50 crores for the Fabric brand. And for OneMile, we have some projections.

Kavita Gandhi: So OneMile, we are targeting to double up the turnover, to be closed around year by INR1 crore

Ravindra Toshniwal: Maybe about INR2 crores or INR3 crores in the OneMile business as well. So overall, it will be around INR52 crores, INR53 crores in the brand part. But the brand part is what we'll double every year. So that's a very good area to be in for us.

Raman KV: Double every year till?

Ravindra Toshniwal: Well, I mean, for the next 2, 3 years, at least.

Moderator: The next question is from the line of Janish Shah, an individual investor.

Janish Shah: Just wanted to have a little bit of clarity on the balance sheet side. I mean right now, you have about INR250-odd crores of debt on the balance sheet, and that increased actually from '22 now has gone up by around INR200-odd crores. The profitability right now, I mean, even if we are looking at FY '26 kind of margin guidance you've been looking at, how do you see the borrowings getting shaped up on the balance sheet in the next year?

And I mean, what I observed is that though you have invested into capacity in modernization, but the delay in the growth is actually building up the debt on the balance sheet because of the lack of free cash flow. If you can just give your comments or maybe -- I mean, your side of the picture which you look at on the balance sheet side?

Ravindra Toshniwal: I think partly the whole last quarter was a disappointment because of the extreme worker shortages. Otherwise, this quarter 4 would have been much better. And in general, the momentum was building very well. And I think it still continues to build well. The whole potential of the capacities deployed and all the modernization we have done, we believe, is in the right direction and at the right time.

Now is the time that we have to be able to use these in this coming financial year itself. So I would see substantial change happening, and we'll try to report it quarter-by-quarter. The push on the sales became a little difficult to achieve because of all of the uncertainty caused by all this tariff and trade wars. So this sort of created a little bit of a depression across the world about releasing new orders. Customers are just sitting on the orders for the moment. Even the domestic market was not buoyant. Everybody was a little bit uncertain.

So now I think that the uncertainties are going away, and this is a good time to have the capacities and all of the investments we've made are sufficient now. We don't need to make more. So I think whatever we've done, we will now begin to reap the benefit of it as we go forward. Maybe Kavita has something more to add.

Kavita Gandhi: So I'll add a couple of points. Some part of planned capex will happen in the first half, which we have placed the order and it will be installed and all that. But going forward, yes, I mean, towards the next financial year, then there will be a reduction in the debt and there will be a higher turnover. So that kind of numbers will rephrase the entire structure of the balance sheet.

Janish Shah: So where do you see the debt actually going up in the first half when you will be completing your expansion?

Kavita Gandhi: Yes. So first half will be a little on the higher side because the repayments and all that will start from our next financial year. So the long term will remain a little on a higher side. But once the momentum takes place, then the working capital is just on the ratio of that so that it happens at a point of time. So second half onwards we should be in a better position.

Moderator: The next question is from the line of Pujit Agarwal, an individual investor.

Pujit Agarwal: I was just wondering, would it be possible for you guys to provide me with the segmental EBITDA split of financial year '25?

- Ravindra Toshniwal:** We don't have it right now. We just have -- maybe if you get in touch with Kavita separately on an e-mail, she'll be able to give you something later.
- Pujit Agarwal:** Sure. I can do that. My second question was regarding like garmenting. Like, for example, of course, due to the factory shifting issues, we operated at an operating utilization of, let's say, 49-odd percent. What kind of utilization are you guys benchmarking for the next financial year? And what kind of EBITDA margin are you guys working with on the garmenting business. Because the inherent asset turns in the business are quite high.
- Ravindra Toshniwal:** Right. So I mean, the EBITDA margins in our Garment business have been low. And even though -- because also the investment is not very high there, it is okay. We expect maybe about 7%, 8% to 9% -- between 7% to 9% EBITDA in the Garment business. And we expect that the turnover next year should be around INR350 crores.
- Pujit Agarwal:** So are you penciling in a growth. Is it possible to grow this business by 20%, 25% year-on-year?
- Ravindra Toshniwal:** We have targeted a 20% growth. We have the capacities for it. We need to cement the order book, and that's what we're working on.
- Pujit Agarwal:** Got it. And so I just wanted to understand like in -- for example, in the Fabric business, which segment do we cater to? Do we cater to the RMG segment or the traditional segment where like there's a Thanh system and people sell like the slot?
- Ravindra Toshniwal:** We cater to both. But the RMG and the B2B customer or so-called brands is the bigger part of our business. The over-the-counter or that Thanh business is a smaller part and in brand, like we spoke about before.
- Pujit Agarwal:** Got it. Got it. So the last question that I had was like, I mean, honestly, sir, you have done a phenomenal job over the last 4 years, like I've been studying the company. And finally, you are above that 60%, 65% threshold in terms of garment and fabric contributing to your revenue. So do you think you've actually like derisked the business like from your standpoint, and you are currently working on a business like do you feel that your business currently has a high level of moats and is much more competitive than it was 5 years ago?
- Ravindra Toshniwal:** Certainly, we are more competitive with all the investments we've made. We are the preferred choice for many of our esteemed customers over many other suppliers. And we believe that now we at least have a base on which we can easily grow at 20% for the next 3, 4 years without any major capex. And this is where we are feeling comfortable. But we are not happy with the results that we had last year.
- Unfortunately, we didn't have all of our 3 engines kick starting and working together, right? As soon as that begins to happen, which we are working on very seriously towards this year, then you will see much more improved results from our company. The potential is definitely there, and we are secure in terms of how low we can go, but we want the upside to come.
- Pujit Agarwal:** Got it, sir. And one last final follow-up question. Sir, you referred to some labor shortage in Q4. Has the situation improved now?

Ravindra Toshniwal: As of the moment, no. All over North India, the labor shortages continue to be a challenge, and we are experiencing that problem. What we are doing at the moment is making sure that all of the labor we deploy is towards more value-added product and less commodities so that the impact on the bottom line is not as much.

Moderator: As there are no further questions from the participants, I now hand the conference over to Mr. Ravindra Kumar Toshniwal for closing comments.

Ravindra Toshniwal: Thank you, everyone. We know that the expected results from us were not achieved, and I'm sure there are some challenges that you all expected us to meet, which we were not able to do last quarter. So we are hoping that in this new financial year, given all the tailwinds that are behind us, we will be able to achieve a better result in the next financial year.

And our motivation is to be one of the major players in the synthetic industry, and we see the potential to continue to grow up to INR2,000 crores and build a very substantial business as a vertical company, as well as be a front runner in the Fabric business and Yarn business for specialty yarns.

So with your support, we will continue to make our efforts and continue to meet with you all every quarter and get your feedback, which is very valuable for us. Thank you all. Bye-bye.

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