BANSWARA

Date: 3rd December, 2018

To,
Department of Corporate Services,
BSE Ltd.,
25th Floor, P.J. Towers,
Dalal Street, Fort,
Mumbai 400 001

Scrip Code: 503722

To,
The Manager,
National Stock Exchange of India Ltd.
5th Floor, Exchange Plaza
Bandra (E), Mumbai-400 051

Symbol" BANSWRAS"

Dear Sir,

Subject: Transcript of Q2 FY 19 Earnings Conference Call held on 15th November, 2018.

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Kindly find enclosed a transcript of the Q2 FY 19 Earnings Conference Call held on Thursday at 15th November, 2018. The same is also available on the website of the Company i.e. www.banswarasyntex.com.

Please take the same on record.

Thanking You,

Yours Faithfully
For BANSWARA SYNTEX LIMITED

BANSWARA SYNTEX LIMITED BANSWARA

(H.P. KHARWAL)
COMPANY SECRETARY & COMPLIANCE OFFICER

Encl: a/a

"Banswara Syntex Limited Q2 FY19 Earnings Conference Call"

November 15, 2018

MANAGEMENT: MR. RAVINDRA TOSHNIWAL – MANAGING DIRECTOR
MR. J.K. JAIN – CHIEF FINANCIAL OFFICER
MODERATORS: SGA FINANCIAL SERVICES – INVESTOR RELATIONS ADVISORS

Moderator: Ladies and gentlemen, good day and welcome to the Banswara Syntex Limited Q2 FY19 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ravindra Toshniwal – MD of Banswara Syntex Limited. Thank you and over to you sir.

Ravindra Toshniwal: Thank you very much. Good afternoon to you ladies & gentlemen and a warm welcome to our Q2 & H1 FY19 earnings call for Banswara Syntex Limited. Along with me on this call I have Mr. J.K. Jain – our CFO; and SGA, our investor relations advisors.

Let me take you through the industry performance before commenting on our performance. The domestic market remains challenged due to multiple factors, mainly the two major factors have not yet been overcome which is the demonetization impact as well as the whole GST impact on textiles in particular. And the market conditions are expected to remain tough for a few months. There was a little improvement but has not sustained. We expect the domestic market will take some time to settle down.

Being the election-year, we expect certain concerns in terms of the labor availability. Overall margin pressure has been witnessed across both the unorganized and organized players due to increases in the raw material cost, employee cost and intense competition from neighboring countries in the global market. Global fabric market has also been slower due to the headwinds of the trade war and slowdown in the Turkish economy. However, the depreciation of the rupee has been a bailout which has help us and in fact benefit exporters to some extent depending upon its pricing with customers.

Now about the company performance; In the quarter, Banswara Syntex is trying its best and has been able to achieve 20% in the top-line, despite multiple challenges. In H1FY19, production of yarn and ready-made garments has increased substantially. The production of fabric reduced mainly due to a slowdown in orders from the export market. Our export business for the quarter has inched lower to 43% as the rupee benefits were limited. Our garment division is accelerating. Company has to invest much more in keeping SKUs with lesser quantity in India as compared to the rest of the world. Hence, our future strategy will be enhance export performance and to outperform the domestic market. The funds involvement are also better with less SKUs and that enhances our productivity as well. Towards this objective, with our SAP having now been started, we are working towards building an increasing the proportion of business with our A-list customers with fewer articles for fewer customers. We have significantly set our objectives to increase the proportion of our business with A-list customers giving fewer products in larger volumes to fewer customers. 60% to 65% of our business is from fabric and garment and 35% to 40% of our business in yarn. We will focus on the fabric and garment segments and will be using our yarn capacity more and more for captive purposes. We do hope this will expand the margins that elevate us.

We are delivering a European-style product made in India with speed, accuracy, quality and prices better than Turkey. We are competing with the Turkish and recently their devaluation have been more competitive and that has been a bit of a challenge. We have full-time designers in France and in the US to make our products differentiated and fashionable. Our perception among our clients is very good and with the changing fashions that we are presenting different fabrics, styles, patterns and for that, we had a large SKU which we are now rationalizing. We are working on multiple strategies to reduce our cost, increased an operational efficiency and improve our margin. We have been constantly strategizing to counter the challenges and hope to be able to deliver better performance in the coming quarters.

Now I would like to hand over the line over to Mr. J.K. Jain to update you on the financial performance of the company.

J.K. Jain: Thanks, Mr. Toshniwal. Good afternoon everyone. The Q2 working results are already with you. I will just take you through the major highlights; net revenue for the Q2 FY19 stood at 376 crores as against 318 crores in the Q2 FY18 and Rs. 302 crores in the immediately preceding quarter that is Q1. During this Q2 yarn represented 44% in the total sales, fabric 31% and garment 22%. The net revenue for the first half in the current financial year at Rs. 678 crores against Rs. 624 crores in the H1FY18, it means it is also increased by about 10%. Yarn contributed 41%, fabric 37%, garment 20% in the top-line.

Profit before interest, depreciation and tax (PBIDT) including the other income but excluding the other comprehensive income for the H1FY19 stood at Rs. 64.9 crores against Rs. 64 crores in H1FY18. The Margin stood at 9.6% during H1FY19 against 10.3% in H1FY18. Other comprehensive income excluded from (PBIDT) profit before interest, depreciation and tax as accrued gratuity is not due today and as per Ind-AS, they are included in other comprehensive income.

Q2FY19 profitability has improved because of reduction in overheads like repairs and maintenance expenses of stores and spares and better realization on sales. Profit after tax for the Q2FY19 at Rs. 9.9 crores which includes one-time tax benefits.

On the tax benefit, the company is eligible for the deduction under Section 80IA consist thermal power plant profitability. Until Q1FY19, the company was providing and paying income tax without claiming the deduction under Section 80IA. Thus, the company has paid higher tax and provided more on account of income tax. Now the company has received the intimation from the department to claim this deduction hence this reduction has been claimed during this Q2.

Forex realization for the quarter was at INR 68.49 per dollar as against INR 66.26 per dollar in Q1FY19. During the quarter, we made a debt repayment of term loans of Rs. 22 crores. This is a net repayment reduction and there has been no increase in the borrowing for working capital. There is no major CAPEX plan for the next few years and our debt payment is progressing as per schedule.

I now open the house call for the questions please.

Moderator: Thank you very much. We will now begin the question and answer session. We have the first question from the line of Pankaj Jain from Mahaveer Investments. Please go ahead.

Pankaj Jain: I would just like to know why have the exports reduced during this quarter and how do we look at the export market in future, so what would be going forward?

Ravindra Toshniwal: The headwinds that we are getting on export are mainly due to the global trade war factors. There is a nervousness amongst most buyers right now about the future in terms of what is happening. Although, there are a lot of inquiries and a lot of samplings are increasing from the US market. The conversion into orders were slower in this quarter. We hope that because the inquiries are more in future and this will result in more orders. But so far, people have been there to place orders because they are not sure about the retail environment that they are experiencing. And the Turkish factor has impacted us a lot because we used to export about 400 tons of yarn per month to Turkey. Now, that has dropped to 100 tons because of the currency devaluation in Turkey. So, we have had a substantial reduction in our yarn export business, not in the fabric or garment.

Pankaj Jain: But are these inquiries just coming from the US market or any other geographies also?

Ravindra Toshniwal: No, from most geographies, we are getting good inquiries and the whole garment export part is increasing much more. The momentum for exports is more in the garment related areas where customers are now increasingly focused on taking a full package from India. They want our whole styling and garment and fabric altogether and there is more interest in making value-added products.

Pankaj Jain: Can you throw some light on our Japanese marketing arrangement and your retail partner?

Ravindra Toshniwal: The Japanese marketing arrangement is working very well with Takisada as usual and we continue to increase business with them. I think it is a very steady relationship like most Japanese partners are. We are optimistic that it will continue to grow well. As far as the European part is concerned, we are doing direct sales now to Europe. But we have not signed on entered into a joint venture which we were proposing to do with Riopelle. So it remains our customer and we are also making women's wear range on our own for which we have hired a separate design team. This in fact, is beneficial to both of us as Riopelle remains a good partner for value-added design which they wish to buy from us and sell on their own.We will make the more a value range in women's wear on our own.

Moderator: The next question is from the line of Navneet Bhaiyya, who is an individual investor. Please go ahead.

Navneet Bhaiyya: Just a follow on from the previous question, so there has been customers like Zara, GAP. I believe these guys used to source a lot from China before the trade war started. So the trade war should ideally have a beneficial impact for companies who are creating out of India for people like us or Syntex because these guys would look at alternative sourcing options which could be India, Bangladesh or few other countries. So how is that shaping up for you?

Ravindra Toshniwal: So, Navneet you are right. There has been increase in the number of inquiries and the number of samplings which we are doing with customers, even like Zara. The question is for them to make the change. They are very slow in moving eventually to a new source. So while they are exploring the possibilities from India in much more detail, the actual conversion of the business will take probably in another quarter or so. So the sign seems to be positive but there is a slow moment right now. But there was some headwind even for Zara for example in terms of the sales that they have had in their retail. So due to that there were some challenges. They decided to come and look at India more seriously. However, when Turkey becomes devalued and even better prices they went back again for a while. So these are things which are back and forth at this moment. You cannot say definitely that there will be an increase but the chances are that there will be definitely a more positive trend towards India in the garment business for sure.

Navneet Bhaiyya: Do you think they might replace China as a sourcing destination in entirety?

Ravindra Toshniwal: No, China cannot ever be replaced in entirety. Volume is too large and all we need is a 10% shift from the Chinese business to fill up all our order book. We don't need more.

Navneet Bhaiyya: So 10% for India, Bangladesh?

Ravindra Toshniwal: 10% drift from China into India will make all of us very happy.

Navneet Bhaiyya: And that will take at least a couple of quarters to….

Ravindra Toshniwal: Yeah, one or two quarters, we should begin to see the momentum happening provided there is no other change in the global scenario.

Moderator: The next question is from the line of Niraj Mansinghka from Goldman Sachs. Please go ahead.

Niraj Mansinghka: You said your yarn export to Turkey had fallen.

Ravindra Toshniwal: Yes.

Niraj Mansinghka: And what I know is Turkey exports have picked up dramatically. So ideally the yarn exports to Turkey should have gone up for you because that is the raw material for them.

Ravindra Toshniwal: So, Turkey has a lot of imports coming from various places in the world. They also have their huge domestic production. So, Turkey is actually a country which has a substantial amount of yarn that they produce within Turkey itself. And therefore, at this moment when the currency devaluation happened, they have become aggressive in exports, but their domestic part of the industry dropped. Overall there is a shrinkage in the Turkish textile business.

J.K.Jain: All imports to Turkey from rest of the world have become costlier because of the devaluation of their currency.

Ravindra Toshniwal: So, the domestic market in Turkey shrank for them even though their exports may have increased. It is still based on less imports and more of their domestic product. That is where they are competitive. If they have to import now they are not as competitive.

Niraj Mansinghka: So just a hypothetical question so in this case Turkey exports wouldn't have fallen…

Ravindra Toshniwal: Eventually.

Niraj Mansinghka: I am just talking hypothetically in Quarter 2, if your exports wouldn't have fallen from 400 to 100 tons a month, would your yarn proportion would be similarly higher or would it be similar numbers only what you reported?

Ravindra Toshniwal: No, then we would have had a 300 tons of exports increased and we would be closer to something like 47%-40% exports.

J.K. Jain: In that case, our domestic yarn sales would have fallen.

Niraj Mansinghka: That's what I'm saying so you just replace that by domestic yarn sales. Just on the margin side which is more profitable for you the domestic or the exports?

Ravindra Toshniwal: At this point, the export was more profitable.

Niraj Mansinghka: Can you share more thoughts on the Turkish exports—I know your products compete with them—so while their exports has scaled up. Generally, these trends should continue for one or two years at least because of the currency tailwinds that Turkey has. So then why are you positive on getting some orders even in the next one year on export because whatever the negotiations happening they wouldn't ever fructify for at least for an year or so?

Ravindra Toshniwal: Our view is only for the US exports and Japanese exports. In terms of Europe where Turkey is strong & their proximity, Turkey is able to capture more market share with his devaluation, they will continue to remain dominant in Europe. For, making breakthroughs with companies like Zara etc. will be more difficult. However, US customers that produced in Asia where the production is in Vietnam and production in Bangladesh, India and all of the far-east regions where we stand to have a logistical advantage. Our lead time is lower than Turkey. Our prices are better. So, our businesses are growing in the Far East, I mean in the US market, in Europe we will face the challenge.

Niraj Mansinghka: If you are competing in US and Japan and the suppliers are located in Bangladesh and Vietnam and China what I understand is Vietnam is almost full in labor supply, Bangladesh has some headway and China also is slight going down. So then why isn't your exports to the US market scaling up?

Ravindra Toshniwal: It is, our exports to the US is increasing, yes.

Niraj Mansinghka: So who are you seeing from here to next one or two years based on whatever discussions you are having with your clients, how do you see your export revenues on garments and fabrics going?

Ravindra Toshniwal: We are seeing the garment growth to be the maximum and this is in line with what you are saying that in fact customers whose like to buy a full package from India including fabric and garment because it saves them the lead time and it also gives them the advantage of having capacity available in India. Meanwhile, we are also working on making sure that the trade advantage that we have with Japan and Korea, we must make maximum use of that because their substitute was China. And instead, the garment exports is happening as a full package from India. So in long term, we are very bullish about this. Europe will continue to buy from us only those products where they find to be substantially cheaper than Turkish, nothing else. Whereas the other parts of the world like the USA and Far East Asia will continue to grow for us. US is the largest customer in the world, it is overall positive.

Moderator: The next question is from the line of Arjun Sengar from Reliance Mutual Fund. Please go ahead.

Arjun Sengar: Just wanted to dwell a little bit more on the point you just made wherein global brands are looking to increase sourcing of fabrics and garments from India, so this story has been there in existence for a last 3 to 5 years. But lately this trade war uncertainty and maybe that rupee depreciation have probably added tailwinds. So can you just enumerate the few factors which are making this more and more likely scenario over the next one-year?

Ravindra Toshniwal: Our belief is that there is always for customers who are the global big retail brands like a GAP or a Macy's or J.C. Penney or the bigger consumers in the USA, Wal-Mart included everyone they all feel that there is a hedge required away from China in long-term. That is why the story has always been there that you should be looking at India as an alternative. The challenge in India was a lot of the capacity in garments has not increased. But now, the garments capacity in India has increased a lot. Another big hub that has developed is Ethiopia and Ethiopia remains a country where for the US export particularly they will be duty-free as well as for the rest of the world. So, a lot of the garments capacities have been put up even by Indian companies, Raymonds and Arvind have invested heavily in Ethiopia to create garments capacity. Even the logistics from India we are finding Ethiopia, Jordan, Egypt and the Far East all now as potential places for exporting garment with increased speed and competing against Turkey. That is why we believe that there will be increasing YoY growth in the garment exports. The problem that happened was because of the taking away of the drawback. The Government now from all of the Apparel Export Promotion Council and all other indicators are working with the government to get more draw-back. And as soon as more draw-back is available there will be a real boom in the exports of the garments to India.

Arjun Sengar: These brands is it a fair understanding that this trade war with China is making them excellent read their diversification plans towards India, is that the fair understanding?

Ravindra Toshniwal: It is absolutely a contributor and definitely, there is a risk mitigation that they want to do against China whether there was a trade war or not. So for both those reasons if India provides a solution that is good and it is beginning to provide solutions which are better and better. Customers will continue to want to increase the proportion of business from India.

Arjun Sengar: Also over the last one-year, our currency is significantly depreciated but the Bangladesh has not depreciated to the same extent. So is this something that is reasonably significant factor that brands are considering in terms of sourcing?

Ravindra Toshniwal: We are not basically currency depreciates to the extent of our inflation. So the extent of our inflation in the currency is depreciating. We remain competitive and we are able to continue to offer the price the customer is looking for. The challenge is when we are asking for higher prices. As long as our depreciation is in line with the inflation rate, we are okay.

Arjun Sengar: In your opening comments you mentioned that there was some recovery in the domestic market but it has again worsened.

Ravindra Toshniwal: Yeah. The domestic market still is challenging.

Arjun Sengar: How does it look going forward?

Ravindra Toshniwal: At this point, we are not very optimistic about the domestic market recovering very fast. It might still take a while. We're focusing our efforts in the domestic market on corporate clients. The corporate clients and the big retailers are still doing well and we expect that there will be more consolidation in the industry. The problem in our domestic market was there were too many small players all across the board. Those small players are going out and there bigger ones are consolidating the business. So, there is in fact, a kind of mergers and different kind of growth happening whether it is fashion at Big Bazaar or D-Mart type customers or Reliance Retail or Aditya Birla chain. So this chains are taking over most of the business and this is in fact good. So, our business with those kinds of customers is increasing and the other dis-organized market and smaller customers are reducing. This is the changeover.

Arjun Sengar: But pre de-mon and GST, I think that is when this whole down cycle has started, so what has changed since then? Has the demand structurally come down is that the case or what is the problem there?

Ravindra Toshniwal: No, demand is not down. The kind of e-commerce benefits given and various losses taken on by the e-commerce giants which have being subsidized for the consumer have caused some confusion in various markets. Now, gradually this is coming back and so you can see the physical spaces are also beginning to work better.

Arjun Sengar: Any sense on the domestic apparel retail which has been lackluster lately but any sense on that?

Ravindra Toshniwal: We are thinking that we continue to focus on fewer customers even in the domestic market and not address the multiple diverse channels that exist with distributed marketing but focus on large customers in India. India will be a great market too. It is a change in the shift and emphasis required here.

Moderator: The next question is from the line of Priyank Boricha from B&K Securities. Please go ahead.

Priyank Boricha: How the raw material prices have been during the quarter? We have seen that they are on the rise and what is your outlook for a couple of coming years?

J.K. Jain: The major raw material is polyester and viscose for the company and for sure during this quarter the polyester and viscose prices have increased. These both were connected indirectly with the import parity price of the product. So as the rupee depreciated and crude oil prices went up the polyester and viscose prices increased but now from the last month, the polyester prices have started falling. So in the current quarter, it is expected that the polyester prices will continue to fall and will come to a reasonable level.

Priyank Boricha: So benefit of this will be received in third quarter itself or do we have old inventory? We would be having some high cost inventory which would be used in third quarter and new low cost one would be using fourth quarter, is there such thing?

J.K. Jain: No, we normally hold about a month from material in stock and there are certain order book positions also. So the impact of any price or increase will definitely come only after one, one-and-half month. But in case of falling prices, the customers also anticipate the prospect to fall and they start not to buy the goods from us. And there is a price fall expected in the market customers will not take the deliveries and that accumulates the inventory with the company.

Ravindra Toshniwal: So overall prices on all raw materials are going down right now. So this is true for wool, it is true for polyester, viscose and even cotton at this moment. So, there is a general, trend of decrease of raw materials and oil has also come down. So there is now a better chance for us to get margin because the final retail prices for Banswara Syntex don't really change. Our sales of corporate are all in general the prices of wool and all raw materials cotton, wool and synthetics everything has dropped. And given the fact that we are dealing mainly with corporate customers who do not renegotiate prices and whose retail prices are fixed, we should be benefiting. It will just take like a month, month and a half definitely we will see the benefits in Q4, in Q3 we may see the partial benefit.

Priyank Boricha: What is the Forex hedge policy?

Ravindra Toshniwal: We are pure vanilla on our Forex hedging. We have been quite conservative on this front. So there is no big impact on the mark to market for us.

J.K. Jain: Normally, we keep the foreign-exchange booked to an extent of quarters for our material which has to be delivered to the customer. We keep a balance between the two.

Moderator: The next question is from the line of Manan Patel from Equirus Securities. Please go ahead.

Manan Patel: Continuing on lines of previous question I wanted to understand. So we were in the process of passing on the price hike because of duty drawback withdrawal and increase in raw material prices. So we were passing on those prices to the customers and we had passed on to some. So where are we in that process right now and how do we benefit going forward given now the rupee is also depreciating and RM prices are also decreasing, so how does that impact our margins in coming quarters?

Ravindra Toshniwal: The question is really for us. At this point our margins have increased, our gross margins have increased. The problem is one about the capacity utilization. We don't have enough capacity utilization and the total order book position was worse than before. The Margin has actually increased because we did manage to get the price increases and whatever we got we are still holding. And we are getting an increased benefit on currency. We are getting an increased benefit on the currency as well as on the raw material. So once you establish a new benchmark in pricing given the kind of environment, we are working in that price. The Problem now is to fill up all the capacity at this price point which we could not. So, we have created a value range. We have our premium range of products where we have managed to increase the product pricing, we retain those. And we have created a value range where we are giving better prices which the products are quite different and we are trying to fill up the capacity with the value range. If the capacity filling happens now, then you will see that there will be a substantial jump. Otherwise what is happening right now is the overhead cost of capacity which is unutilized is eating into our margin.

Manan Patel: But if I look at the gross margins also this quarter they have come down compared to the last quarter as well as the same quarter last year.

Ravindra Toshniwal: Because of the expenses also to a part extent. The expenses have increased on the unutilized capacity that is why our gross margins have come down. Otherwise, if you look at the selling price of the product and look at the metric of per meter realization you will see that is higher than last quarter.

J.K. Jain: We have achieved this sale mainly because of the reduction in the inventories. Our inventory it has gone down by 35 crores during this quarter and that is gone into the top line. Otherwise, capacity utilization has been a concern.

Ravindra Toshniwal: The slow demand of domestically and this whole transition in the trade war for the customers that have caused concerning utilization. So, we have had to be more aggressive on pricing therefore, we have created a whole new pricing strategy.

Manan Patel: Can you put a number to the utilization that is right now and what you are aiming for in coming quarters?

Ravindra Toshniwal: At this moment, it is difficult to say. We can get back to you later maybe check it and work it out in a call separately.

Manan Patel: One last question bookkeeping one, we had exceptional loss of some 1.6 crores so what is that related?

Ravindra Toshniwal: Exceptional item is the loss on sale of certain machineries which were not being utilized and these were lying idle for quite some time and to get the liquidity out of the funds blocked in the unutilized machinery so that is a portion of the loss. We sold certain machineries, so it is a loss again is the book value and the sell price of the machines.

Moderator: The next question is from the line of Ankit Agarwal from Arc Capital. Please go ahead.

Ankit Agarwal: How are we pleased with the customers in terms of pricing? Are we able to pass on the cost to the customer?

Ravindra Toshniwal: Yes, at this point we are able to pass on the cost. But to get substantial orders of large volume, we have created a new range of products which are more aggressively priced than our earlier products. So there has been an addition to what we are calling the value range of products which we were selling earlier in our exports market at $3 plus. Now, we have a range of $2 plus items. So we have there been cost engineered for that and that is where we are thinking that the growth will come. The passing on of the price is not the concern. The order book position is a concern.

Ankit Agarwal: The top three domestic customers how are they doing like Madura, Raymond and Arvind Group?

Ravindra Toshniwal: Better this year. We are finding an improvement among the corporate client.

Ankit Agarwal: So like in terms of contribution they have increased?

Ravindra Toshniwal: Yes.

Moderator: Next question is from the line of Mr Lalaram Singh from Vibrant Securities. Please go ahead.

Lalaram Singh: Can I know the progress on the European joint venture we had with the Portuguese company I think for women wear? How we are progressing for that JV in terms of have we started booking revenues in that JV? Second question is when you say that pricing is not an issue. The issue is booking of orders, so are you referring this for both the domestic and the export business? And is this because of overall overcapacity? what is the reason why we are not able to book orders?

Ravindra Toshniwal: To answer your first question about the joint venture that we were planning with Riopelle with the Portuguese company, this is not being done. And we both consciously took a decision to create two different ranges of products. One range which will be marketed by Riopelle itself independently, they will be buying from us like a customer and selling these premium products in Europe and that remains something which there is simply a relationship between customer and supplier between us. Then we are creating a separate range for the value range of products for participants with Banswara in the market and Banswara will do this independently. So we have decided not to put both together as it dilutes the equity of each company if you do that in the women's wear range and this way we are getting better traction with the customers. The customers are in fact happier with this arrangement rather than a joint venture. So we had gone repeatedly to many customers together and they suggested that this may be a better way where we get designed in Europe, made in India from Banswara from Riopelle and we buy the collaboration of Riopelle with India and directly from Banswara. So that's what happened right now. We have chosen not to go for the joint venture. It would not have benefited both the parties. That's where it stands. But as far as the sales in women's wear are concerned we have got traction from customers and orders have started to come and all of the sales projections we are talking about we will begin to meet those.

Now coming to the other question which is also really connected to this; what we are talking about is the situation globally in terms of demand is where the demand is much bigger at the bottom of the pyramid and the demand is much bigger where the price sensitivity is high. And our products were more in a range which was medium to an upper end and there the demand contracts has happened. So the deal demand is now for products which meet price points of customers at the lower end. The customers have gotten used to paying less for clothing not more at that price point where the demand has increased. So you will see growth has really been happening at the fashion at Big Bazaars at the D-Mart level in India as well. Whereas abroad as well you can see in most customers even Wal-Mart has had a pickup and there is a J.C. Penney pick up and Macy's has done well. But the growth has come in the value segment. Therefore, we had to re-engineer many products and have this strategy of having the premium end of products and the bulk end of products. The bulk end of products, we have introduced in the last one year and it is now beginning to pick up. We didn't have many of these products which is why we were not being able to fill all our demands. There is a greater demand the demand will continue and it seems clear to us that if we are able to fulfill customers aspirations on the price they would prefer to buy from us which we have begun to offer to them. And we are seeing this switch happen. So I think by Q4 our utilization percentage should be back to normal and then we should be able to get the benefit of the overall margin that we want.

Lalaram Singh: So if I understand it correctly, historically Banswara was sort of strong in European design in the premium end. So do we mean to say that we are changing our DNA to fit in the new market reality?

Ravindra Toshniwal: It's not really about changing DNA. We continue to have the aspirational products available with us. But if we are selling only aspirational products, we can't fill the whole bill. So we have to do both aspirational and affordable.

Lalaram Singh: And when you say affordable will it come at a lower margin and also written on capital metrics, on those metrics how will it pan out in terms of financial metrics?

Ravindra Toshniwal: The margin is not significantly going to be very low even the products that we are doing at aspirational levels and on the affordable level. The affordable products will also be having a margin which is okay but it will be less than the premium products for sure. But when you look at the overall margin, it is always a combination of both. Earlier we were able to have a strategy where we felt the momentum was good enough if this Turkish devaluation would not have happened. And the shift coming to us for the more upper-end products would have more. However, in the last one-year, we felt several headwinds against the fact that we were pricing at the more premium end. Therefore, created this new range which is engineered for cost and therefore doesn't cost us as much to make as well. That manages to utilize our overall capacity.

Lalaram Singh: When you say it's engineered for cost I mean it's a constant endeavor for any company to manufacture at the lowest cost possible. So when you say that you have sort of introduced the new engine your way of doing it, can you explain what does that mean? Is it outsourcing some of the segments and maybe…..?

Ravindra Toshniwal: Let, me put it this way. If you were to look at it fits in terms of another analogy like a car; you could think that if you were producing BMWs top of the end, we also now have an economy model of it. So that economy model is something which is cost engineered for economy. If a regular BMW sells at Rs. 25 lakh-30 lakh this was going to be only for 7-8 to 10. We have introduced more economy model because it comes out of the same manufacturing. We are not able to use our full manufacturing capacity only for producing the luxury segment. That's how we think we will be able to get back overall margin. The unfortunate part is that we were doing a good momentum but the momentum changed with the situation in Turkey and the situation now what is happening in the global markets.

Lalaram Singhl: Final question on the gross debt, can I get that number including the current maturity?

J.K. Jain: The overall debt as on date is around 480 crores and the annual repayment during this year is 49 crores. Next year, we will be paying about 41 crores and thereafter the payment is below 30 crores. Since, we are not borrowing more for any CAPEX, this debt will be reduce consistently and this will be a debt-free company or with minimum debt in next 4-5 years.

Moderator: Thank you very much. That was the last question in queue. As there are no further questions I would like to hand the conference back to Mr. Toshniwal for closing comments..

Ravindra Toshniwal: Thank everyone for your questions as well as all of your patients with us. And I would like to thank you all for joining the call. I hope that we were able to answer all your questions. For any further queries please do get in touch with us or SGA. We will be happy to address all your queries..

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