

India Infoline hosted the conference call for **Banswara Syntex Ltd** to discuss Q3FY07 results. The highlights of the conference call and results are mentioned below.

- **Toplines grew by 11% yoy to Rs865mn on the back of volume growth**
- **Operating profit grew by 40% yoy to achieve an operating margin of 14.4%, a jump of 300 basis points yoy.**
- **Net Profit rose by 54% yoy to Rs36mn to a Net Profit margin of 4.2%, a rise of 110 basis points.**

#### Financials Highlights

Period to	12/06	12/05	Growth	12/06	12/05	Growth	FY07E
(Rs mn)	(3)	(3)	(%)	(9)	(9)	(%)	(12)
Net sales	865	775	11.7	2,734	2,220	23.2	3,800
Expenditure	(740)	(686)	7.9	(2,321)	(1,965)	18.1	(3,250)
Operating profit	125	89	40.3	413	255	62.2	550
Other income	14	16	(16.6)	16	20	(20.8)	27
Interest (expense)/income	(45)	(35)	28.9	(139)	(105)	32.5	(182)
Depreciation, amortization	(44)	(35)	24.6	(123)	(97)	26.7	(172)
PBT	50	36	40.9	167	73	129.3	223
Exceptional items	-	-	-	-	-	-	-
Tax	(14)	(12)	15.7	(45)	(23)	96.9	(68)
PAT	36	23	54.1	122	50	144.0	155
Extraordinary items	-	-	-	-	-	-	-
APAT	36	23	54.1	122	50	144.0	155
OPM (%)	14.4	11.5	3.0	15.1	11.5	3.6	14.5
Equity	83.4	72.1	-	83.4	72.1	-	83.4
EPS (Rs)	17.3	13.0	-	19.5	9.2	-	18.6
PE (x) CMP Rs	4.7	-	-	4.2	-	-	4.4

- ✓ Banswara Syntex (BSL) is a vertically integrated textile player engaged in the manufacture of man-made, synthetic, blended and cotton yarn and garments. The Net sales for the quarter grew by 11.7% yoy to Rs865mn for the quarter and Rs2,734mn for the nine months ending December 2007.
- ✓ Out of the total gross sales fabric sales contributed 40% of the revenues, 4% comes from garments and the rest is contributed by yarn. Going forward from FY09 onwards BSL wishes to achieve a break up of 35% of the revenue coming from each of the three categories.
- ✓ It has entered into a joint venture with Carreman Michel Thierry Group, France that will increase its turnover and margins going forward. The JV has installed 60 looms to produce high value lycra-based designer fabrics for formal women's wear at a total cost of Rs400mn. For the six months period it has achieved a cash profit of Rs15mn and will show a positive bottomline for the coming quarters.
- ✓ The EPS figures for the quarter/nine months ended 31.12.05 & year ended on 31.03.06 are based on share capital existing before the bonus issue. The EPS figures as at 31.12.06 are after taking bonus issue.
- ✓ BSL has taken up expansion, modernization and diversification plan, which includes new production capacities for Furnishing fabric. The total capital outlay for the aforesaid plan is estimated at Rs1,180mn for which the term loan requirement of Rs940mn has been tied up with the Company's banks under TUFs.

### Cost Analysis

	12/06	12/05	Growth	12/06	12/05	Growth
<b>As % of net sales</b>	<b>(3)</b>	<b>(3)</b>	<b>(%)</b>	<b>(9)</b>	<b>(9)</b>	<b>(%)</b>
Raw material	(10.1)	0.5	(10.6)	43.6	48.3	(4.7)
Staff cost	8.5	7.7	0.8	7.6	7.7	(0.1)
Other expenditure	33.0	32.3	0.7	33.7	32.5	1.2
<b>Total Expenditure</b>	<b>85.6</b>	<b>88.5</b>	<b>(9.1)</b>	<b>84.9</b>	<b>88.5</b>	<b>(3.6)</b>

-The staff cost as a percent of sales has increased due to the expansion in the garmenting capacities as garmenting requires more skilled labour.

-BSL's profitability has been restrained on account of its high power cost. The company is setting up an 18 MW thermal power plant, which is scheduled to become operational in February 2007. The power cost as on today is Rs4.5/unit but after the setting up of the thermal power plant it will get reduced to Rs2.75/unit resulting in savings of approximately Rs150mn per year.

-The two main raw materials of BSL are polyester and viscose. The prices of polyester have been softening due to new capacities of polyester coming up in the country, hence helping the margins. The demand of viscose around the world is increasing but facilities in India are sufficient to deal with the domestic demand.

### Capacity Expansion:

The expansion has been planned in two phases, the first phase ending by December 2007 and the second phase ending by March 2008.

#### Phase I

Nature of Expansion	Project cost (Rs mn)	Scheduled Completion
Power Plant	410	February-07
Spinning	320	March-07
Processing	40	March-07
Garmenting	130	March-07
Weaving	120	December-07
<b>Total</b>	<b>1020</b>	

#### Phase II

Nature of Expansion	Project cost (Rs mn)	Scheduled Completion
Garmenting	200	October-07
Spinning	700	March-08
Weaving	150	March-08
Processing	160	March-08
Furnishing Weaving	290	March-08
<b>Total</b>	<b>1500</b>	

### Outlook

The company is aggressively expanding capacities of value-added products like fabrics and forward integrating into garmenting. The JV with CMTG is expected to get operational synergies for BSL in terms of assured sale of yarn and its processing capacity. Higher contribution from garments and decline in power costs would enable the company achieve improvement in net profit margin from current levels of 4.5%. Considering the future growth prospects, at a CMP of Rs82, it is trading at 4.4x FY07E EPS of Rs18.6



**India Infoline Result Update**  
**Banswara Syntex Ltd (Q3 FY07)**  
**February 01, 2007**

---

Published in February 2007. © India Infoline Ltd 2006-07.

This report is for information purposes only and does not constitute any investment, legal or taxation advice. It is not intended as an offer or solicitation for the purchase and sale of any financial instrument. Any action taken by you on the basis of the information contained herein is your responsibility alone and India Infoline Ltd (hereinafter referred to as IIL) and its subsidiaries or its employees or directors, associates will not be liable in any manner for the consequences of such action taken by you. We have exercised due diligence in checking the correctness and authenticity of the information contained herein, but do not represent that it is accurate or complete. IIL or any of its subsidiaries or associates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this publication. The recipients of this report should rely on their own investigations. IIL and/or its subsidiaries and/or directors, employees or associates may have interests or positions, financial or otherwise in the securities mentioned in this report.

---

**India Infoline Ltd**, 15<sup>th</sup> Floor, P.J. Tower, Fort, Mumbai- 01. Tel: 91-22-6749 1700

IT'S ALL ABOUT MONEY, HONEY!