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*The company is opening a new garment facility at Sachin near Surat that will be twice the size of the existing facility at Daman*

Banswara Syntex Ltd. (BSL) was incorporated in 1976. It is a vertically integrated textile mill having manufacturing facilities from Yarn, Fabrics to Readymade Garments.

The company was promoted by R.L. Toshniwal with Rajasthan State Industrial Development & Investment Corporation Ltd. (RIICO) in Banswara, a backward district situated in the southern part of Rajasthan. Later on he bought back the holding of RIICO in the company. Mr. Toshniwal is currently the Chairman & Managing Director of BSL.

BSL started commercial production in 1978 with an initial spindle capacity of 12,480 spindles. Since then, the company has carried out several expansions in spinning divisions to reach a level of 111,104 spindles, including more than 12,000 spindles for cotton yarn.

Upon incorporation, BSL had a single unit at Industrial Area, Banswara for manufacturing synthetic yarns. Over the years, the company has expanded, modernized and diversified its activities in a phased manner. In this process, it set up three more units, two at Banswara and one at Daman (U.T.).

### **Garment Division**

Banswara Garments is a new member of BSL. The factory is located in Daman, which is 200 km north of Mumbai and 600 km south of Banswara. The garment unit is a specialized dress pant factory. It makes the offering of Banswara complete and vertical.

For garmenting, the company is using the fabrics manufactured at its own weaving division. In case of Garment unit at Daman, power is adequately available at a reasonable rate. Hence, power requirement is fully sourced from the Electricity Board.

The Daman unit manufactures men's trousers for such big brands like Arrows, Park Avenue, Lifestyle, Westside, Siyaram's, Landmark Group of Dubai, etc.

### **The Daman Factory**

The total floor space of the factory is close to 40,000 square feet of built up area. The factory is equipped with a full complement of machines to be able to manufacture a trouser of the finest quality. BSL does all its marking and grading on a CAD system from Rich Peace. The sewing line primarily consists of Juki machines. There are automatic welting machines from Eagle. Curtain felling machines from Union Special, eyelet buttonhole machines from Reece and blind loop machines from Mair. The pressing is entirely from Rotondi, including leggers, toppers and side seam presses.

### **Manufacturing Process**

The fabric comes in rolls of 50-100 metres. It is then inspected and sent to the cutting department. After that the fabric is pressed. Then we do the development of the samples and blue prints are made. We make samples and then put it for bulk production. Cutting is planned using CAD, CAM machines for bulk fabrics. Actual cutting

is done manually. For a small scale of operation it's okay to do it manually. But for a larger sized operation one requires machines. At Surat, we plan to use automation for jackets.

Each formal trouser can have between 45-55 operations. For each of these operations we designate a worker and a specialised machine. Each operation is optimised to its maximum productivity and is also controlled for quality. At Daman, BSL has an assembly line system where parts move from one operation to another operation and finally, the garment is manufactured.

The company has a very strong quality management system to be able to meet the stricter standards for both leading local brands as well as for exports. A garment goes through about eight different stages of checking.

There are about 14-15 different parts to a trouser. Smaller parts are processed in one line then those parts are brought to the main line. The main line is then further divided into the front section and a back section. The front and back parts of a trouser move parallel to each other and then they are combined to assemble.

At Daman, the company has seven lines of stitching for manufacturing men's trousers. The stitching unit is 6 kms away from the cutting cum packing unit.

### **Exports**

BSL is currently exporting to about 10 countries. As far as trousers are concerned the company exports about 45-50% of the production. The balance is sold locally.

Currently, the company's largest overseas customer is the landmark group in Dubai. They have over 75 departmental stores. BSL does about 300,000 units for them annually. It also has some customers from the UK, France and Greece.

### **Capacity**

Currently, the capacity at Daman is about 4,000 pieces per day or 100,000 pieces per month. This entire capacity will cater to the domestic market while the proposed new facility coming up at Sachin, near Surat will look after the overseas markets.

### **Investment and Workforce**

In total, the garment unit at Daman has a workforce of about 1,000. The company has invested about Rs120-140mn, including land and building, at Daman.

### **Women's Wear Yes**

Women's wear is a large and growing segment in India. BSL supplies women's wear to Lifestyle and Arrow. The company sees great potential in women's bottomwear segment going ahead. In fact, the first jacket line it will put up at Sachin will be for women.

### **But No Retail Plans**

BSL is very focused on being the manufacturers for the leading garment brands in the country. The company says branding and retailing is a totally different exercise.

### **New Garment Unit in Surat**

BSL is going to get into the manufacturing of men's suits at Sachin. Here, the company is opening a new garment facility that will be twice the size of the existing facility at Daman. The trousers and suits made at Sachin will be exclusively for exports as the new unit will be located inside the SEZ. Partial production at Surat will kick off in June. Full production will begin in July.

At Sachin, BSL will be able to make 8,000 pieces per day of trousers and 1,500 jackets a day. It will be scaled up to that level in about two years. In the beginning, the company will start with 2,000 trousers day and 500 jackets a day at Sachin. Overall, the company will invest about Rs200mn at Sachin.

### **Margins**

The average sale price per unit is around Rs350. The same piece typically retails at anywhere between Rs1000 to Rs1500. Usually, most brands have a price multiple of three from the price at which they source at.

The fabrics for the trousers are sourced from BSL's own mill at Banswara. Each trouser requires 1.3 metres of fabric. The value addition at this factory is about Rs100 per piece. The rest is all material input.

Because BSL uses its own fabrics and all the processes are in control it can offer customers much better lead times. Sometimes, BSL can offer them lead times as less as 60 days. In any case 90 days is always possible, but for some cases it can do 60 days.

### **Capex**

Currently, BSL is adding 18,000 spindles and 16 shuttle-less looms at Banswara. The company has also chalked out a capex of Rs1.25bn for an additional 38,000 spindles and 40 shuttle-less looms. With this expansion, the total capacity of BSL in terms of spindles will increase to 1.5 lakh and take the total number of shuttle-less looms to 200.

In garments, BSL plans to invest about Rs200mn at Surat. The total capex planned is about Rs2.27bn. Of this, Rs1.2bn is already incurred. The capex has been funded through 80% term loans while 20% is internal accruals. The term loans are under TUFS.

As of December 2006 term loans outstanding were Rs1.4bn. Debt:equity ratio is 1.5. Repayments will start in 2011. Some repayments are going on for loans taken in 2003-04. The rest will be paid off in time as well.

### **Looking at Rs5bn in FY08**

Half of the company's turnover comes from the yarn business; 40% is from fabrics and the rest from garments and others. Garment contributes almost 5-6% of the company's topline.

In future, the revenue break-up will be 30% yarn, 30% fabrics and the rest from garments. From a pure yarn maker, BSL has moved into fabrics and now the next phase is to move into garments in a big way.

The total turnover of the company was about Rs3.8bn as of March 2007. BSL is looking at about 25% growth per annum for the next 2-3 years. Next year, it hopes to reach about Rs5bn in revenues.

## **Outlook**

The prospects are very encouraging, both from the domestic front as well as the export front. In the domestic market, there is a big retail boom underway. The company is witnessing all round growth. Reliance Retail, Madura Garments, Excaliber, etc have approached BSL. The company will be giving them complete packages.

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