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To The Deputy Manager Department of Corporate Services BSE Ltd. PJ Towers, Dalal Street Mumbai -400001 Script Code: 514043	To The Manager National Stock Exchange of India Ltd. Exchange Plaza, Plot No. C/1, G Block Bandra-Kurla Complex, Bandra (E), Mumbai 400051 Symbol: HIMATSEIDE
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Dear Sir,

Sub: Transcript of conference call.

Ref: Disclosure under Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements), Regulations, 2015

Pursuant to Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements), Regulations, 2015, we attach herewith a copy of transcript of conference call held on November 15, 2021.

Please also note that the transcript of conference call will also be available on our website www.himatsingka.com.

This is for your information & records.

Thanking you,

Yours faithfully,
For Himatsingka Seide Limited

Sridhar Muthukrishnan
Company Secretary

Encl: as above

Q2 FY22 Earnings Conference Call

November 15, 2021

Moderator: Ladies and gentlemen, good day and welcome to the Himatsingka Seide Limited Q2 FY22 earnings conference call hosted by Batlivala and Karani Securities India Private Limited.

As a reminder, all the participants' 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Purna Jhunjhunwala from Batlivala and Karani Securities. Thank you and over to you, Ms. Jhunjhunwala.

Purna Jhunjhunwala: Good afternoon everyone. On behalf of B&K Securities, I would like to welcome you all for 2Q FY22 post results conference call of Himatsingka Seide Limited. Today, we have with us the senior management including Mr. Shrikant Himatsingka - Managing Director and CEO of the company; Mr. K. P. Rangaraj - President, Finance and Group CFO; and Mr. Dilip Panjwani - Senior Vice-President and CFO, Strategic Finance. I would now like to hand over the call to Mr. K. P. Rangaraj for the initial comments. Thank you and over to you, sir.

K. P. Rangaraj: Good afternoon ladies and gentlemen. On behalf of Himatsingka, we would like to extend a very warm welcome to all of you participating in this Q2 FY22 earnings call. At the outset, I hope you all had a great season of festivities after a long period of lull and you and your families are staying safe. I will firstly take you through the business updates followed by a financial performance review, and after that, we will open the floor for questions & answers.

I will start with the business updates now. The demand for home textile products continues to be buoyant across geographies and categories. H2 FY22 order book remains strong. The capacity utilizations for all our manufacturing facilities during the quarter ended September 30, 2021 stood as follows; Sheeting division stood at 81% against 80% of the previous quarter, Terry Towel division recorded 71% capacity utilization against 66% in the previous quarter, Spinning division recorded 101.5% and the previous quarter stood at almost the same.

During the quarter, revenue streams from brands stood at Rs. 574 crores versus Rs. 535 crores during the previous year and Rs. 582 crores during the previous quarter. Inflation on the raw material, energy, and logistics fronts had an adverse impact on the operating profitability for the quarter while we partially mitigated the impact with revenue growth and price increases. We continue to focus on price balancing to address inflationary impacts. We expect these inflationary pressures to continue in the 2nd half of FY22 as well. The debottlenecking at the sheeting and terry towel plant are being undertaken and expected to be commissioned during H2 of FY23.

I now move on to the next section which is comments on financial performance for the quarter as well as for the half year. The consolidated total income for the current quarter stood at Rs. 816.21 crores versus Rs. 659.55 crores in the previous year and Rs. 784.56 crores in the previous

quarter. This is on a like-to-like basis. This represents an increase of 23.8% year on year and an increase of 4% quarter on quarter adjusted for the RoSCTL of Rs. 35.32 crores which we recognized in the previous quarter. In addition, we lost approximately 3% of revenues during the current quarter on account of logistical congestion. The consolidated EBITDA for the quarter was Rs. 144.55 crores versus Rs. 96.90 crores in the previous year and Rs. 127.83 crores in the previous quarter. This is on a like-to-like basis. Consequently, the EBITDA margins stood at 17.7% in Q2 compared to 14.7% in the previous year and 16.3% in the previous quarter on a like-to-like basis. Despite inflationary pressures on EBITDA margins, our EBITDA margins improved quarter on quarter on a like-to-like basis due to higher price realizations and higher capacity utilizations. The consolidated PAT for the quarter was Rs. 48.03 crores versus Rs. 3.81 crores in the corresponding quarter of FY21 and a PAT of 57.70 crores in the previous quarter.

I now move on to the consolidated financial performance for the half year ended 30th of September. The consolidated total income for the half year ended 30th September stood at Rs. 1,636 crores versus Rs. 842 crores in the previous year which translates to an increase of 94.1%. The consolidated EBITDA for the half year ended was Rs. 307.69 crores versus Rs. 16.18 crores in the previous year, which translates to an approx. 18 times increase. EBITDA margin stood at 18.8% in the 1st half year versus 1.9% in the previous year. The consolidated PAT for the half year ended was Rs. 105.72 crores versus a loss of Rs. 135.98 crores in the previous year.

I now move on to the debt profile. The consolidated gross debt as of 30th September stood at Rs. 2,681 crores compared to Rs. 2,566 crores at the end of the previous quarter. The total term debt stood at Rs. 1,644 crores and the working capital debt stood at Rs. 1,037 crores. The cash and cash equivalents stood at Rs. 154 crores at the end of the quarter. Consequently, the company's net debt as of the end of the quarter stood at Rs. 2,527 crores as compared to Rs. 2,405 crores as of the previous quarter.

The increase in debt is on account of accumulation of export incentives and enhanced working capital on account of inflation and revenue growth. We expect the collection of export incentives during the 2nd half of the year and stabilization of working capital requirements to negate the impact they have had on the net debt during the 1st half of the year. With this, I would like to complete my updates. We will be happy to take on your questions now.

Moderator: We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.

Riddhesh Gandhi: I just wanted to understand our ability to actually pass on the RM increases to our clients. How long is it going to take? You had indicated the entire H2 will have impact on the profitability. If you could just give us a revised guidance for effectively where you see EBITDA margins going?

Shrikant Himatsingka: We have always maintained that if the industry is faced with unprecedented inflation levels as it is facing now, it does take a couple of quarters to pass on meaningful increases as far as this industry is concerned. We are in the process of doing so. We didn't have the benefit of any

increases during the first quarter. We have got some increases during the second quarter. And as we move progressively into H2, we should see more of that coming in. I think H2, as things stand now, will continue to see a passing on the raw material inflation onto our clients and that should be something that we witness during H2. At the same time, we are being a little cautious on the inflationary front and we feel that this inflation is here to stay unfortunately during the 2nd half of the fiscal and the impact of which we will try to continue to mitigate through better pricing vis-a-vis our clients. All in all, that's what we see and we should broadly expect to hold our EBITDA margins during the 2nd half of the fiscal as things stand now. Of course, the inflationary movement could see swings, but the way we are looking at it at this point is we continue to pass on pricing, mitigate the impact as far as possible of raw material inflation, and hold EBITDA margins range bound where we are at this point.

Riddhesh Gandhi: The other question was with regards to if you could highlight your utilization levels across products and if you could also throw some light on the demand environment. Obviously, the demand over the last 6 to 9 months has been extremely robust. Is this expected based on your existing dialogue and order books to continue into H2 and beyond?

Shrikant Himatsingka: Fundamentally, we don't see anything wrong as far as the demand environment is concerned; it's robust. I think the inflationary sort of situation that we are facing is going to be short-lived because either it will be largely mitigated by pricing and/or some softening on the inflationary front. So, I think the demand outlook, as I said, looks buoyant. The inflationary impacts won't last long. The fundamental nature of the way we are positioned remains strong and we will continue to look at enhancing our utilizations going forward. That's how we see it. We have also mentioned the fact that our debottlenecking initiatives are underway and should be ready by H2 FY23. Himatsingka is on track to expand its capacities both on the sheeting and the towel plants, and the short-term volatility on the inflation front and the logistical congestion fronts I think will be handled by the strategies I outlined. One thing I would like to mention; other than price enhancements, growth in itself will be a mitigation measure as far as we are concerned.

Riddhesh Gandhi: On the volume front, do we expect any growth happening in H2?

Shrikant Himatsingka: With the increase in utilization levels, we see growth happening during the H2.

Moderator: The next question is from the line of Kaustubh Pawaskar from Sharekhan by BNP Paribas. Please go ahead.

Kaustubh Pawaskar: Sir, my question is again on the margins. As you mentioned that raw material price pressure would continue and you have been taking price increases and some bit of impact would be still in quarter 3 and quarter 4, but if we consider the base quarter, the EBITDA margins were somewhere around 22 odd percent. Considering that, on a year-on-year basis, there would be a dip in the margins. And secondly, should we also anticipate margins to be a little bit lower on the sequential basis? Because 1st half EBITDA margins were around 18%. So, should we expect some bit of deceleration in H2, and once the raw material prices stabilize with improving capacity, it will further improve?

Shrikant Himatsingka: We think that the EBITDA margins should be range bound going into H2, as I just shared at this point. Again, there could be vagaries on the inflation front, but the way we are looking at it at this point is the EBITDA margins going into H2 should be range bound from where we are today. And we will continue to focus on price increases and enhanced utilizations that will drive the growth and in turn mitigate some of the inflationary impacts. Once the intrinsic model is aligned to the new levels of raw material prices, our normal EBITDA margins that once seen as far as Himatsingka is concerned in the region of 20% to 22% in that bracket will be back on the table. Unfortunately, these levels of inflation is not something that we predicted nor could we see it coming, but once we have done dealing with it in terms of mitigation, we should see our normal EBITDA margins come back.

Kaustubh Pawaskar: Sir, on the debt front, any particular target that you would like to throw on like you are planning to reduce your debt by some crores over the next two years? Any debt reduction plan if you could specify?

Shrikant Himatsingka: Yes, our focus on delivering will continue. Unfortunately, during the 1st half of this year, we have had some increase in net debt for the reasons that we have outlined, we have seen some congestion on the export incentives front, which has caused some working capital movements, and in addition, we have seen congestion, inflation play out. Y-o-Y revenue growth has also had some incremental pull-on working capital. All of these factors have essentially required some working capital debt enhancement during the 1st half. Most of these impacts hopefully will correct during H2 at some point, and our deleveraging theme will continue. The run rate of deleveraging should be in the region of approximately 200-250 crores a year in a normal fiscal, somewhere to that tune is what we see. Of course, that's subject to the inflationary sort of buckets being under control.

Kaustubh Pawaskar: With this debottlenecking, by how much should we expect the capacity expansion in both of your segments by FY23?

Shrikant Himatsingka: Sheeting, we are looking at increasing our capacities to 108 million meters per annum, and in our terry towel plant, it will stand enhanced to 40,000 tonnes per annum.

Moderator: The next question is from the line of Rishabh Shah from R S Capital Services. Please go ahead.

Rishabh Shah: I had two questions; the first one is from an industry perspective. In the home textiles, we are seeing both large and small players everyone is adding CAPEX and everyone is optimistic on the demand scenario. Say 2 years down the line, how do you see this full capacity being observed or you see some pricing pressure? Just trying to understand is this full CAPEX demand driven or we will see pricing pressure going forward when this full capacity of Indian players come on stream?

Shrikant Himatsingka: It is difficult to take a 2-3-year outlook in terms of what will happen at that point in time, but as far as Himatsingka is concerned, these additions are being looked at because of the demand pull that we see in our home textile solutions segment. And I think given the various macros that are

playing out, there should be adequate demand to absorb these capacities. There could be movements from quarter to quarter, no doubt, but directionally speaking and architecturally speaking, as far as Himatsingka is concerned, we see that this increased capacity should be absorbed by both international and domestic demand.

Rishabh Shah: Sir, one more question. On the margins side, if you can give breakup how much is due to raw material inflation and how much is due to other costs in terms of basis points impacting margins?

Shrikant Himatsingka: I think essentially the impact on the EBITDA front came in essentially from raw material and from energy, both of these fronts. We have also outlined the fact that approximately 3% of revenues we were unable to clock because of logistical congestion which added to the margin dilution, but essentially, it was raw material and energy.

Rishabh Shah: So, is it fair to assume that more than 200 basis points will be due to raw material cost? Would I be wrong in assuming this?

Shrikant Himatsingka: The bulk of it is raw material, yes. And even on the energy front, it is raw material driven.

Moderator: The next question is from the line of Priyank Chheda from Standard Chartered Securities. Please go ahead.

Priyank Chheda: Sir, can you help me with the capacity utilizations in the current quarter for sheeting, terry towel, and spinning divisions?

Shrikant Himatsingka: Sheeting was at 81%, terry towel at 71%, and spinning was 101.5%.

Priyank Chheda: Sir, one more bookkeeping question. With respect to the debottlenecking capacity that we are undertaking in the next 12 months, what is the total spends that we would have to do for both the terry towel and sheeting divisions both together?

Shrikant Himatsingka: Himatsingka has an organic CAPEX requirement of approximately 60 to 80 crores every year. I was particularly sort of stressing on the fact that whatever debottlenecking initiatives we are undertaking will be within the realm of our organic CAPEX budget over this time. This year and next year's budget on organic CAPEX will be sufficient to more or less meet the debottlenecking requirements.

Priyank Chheda: Sir, last six months have been very tough on the working capital side. Whole of the cash flow generation has been negative because of realizations getting stuck in working capital. Is this a new normal or we would be realizing everything in the next six months and getting back to the old working capital levels?

Shrikant Himatsingka: We feel the worst is behind us and we should see the unwinding of all this during the H2 of this fiscal. Of course, my statements are subject to issues not cropping up on the Covid front and allied issues, but other than those scenarios, we see that a lot of this congestion should ease up during H2 FY22.

- Priyank Chheda:** Just a follow-up on this, sir. It would be very great if everything eases out and unwinds in the next six months. As per rough calculations, we would anyways generate around 500-600 crores kind of cash flows from operations in FY22 and we'll just require say 60-80 crores as CAPEX requirement as you alluded. What would be the balance capital utilization that you have planned to? Because deleveraging is just Rs. 200 crores what you have been guiding. Where the balance cash flow would be utilized and the capital would be utilized for the business?
- Shrikant Himatsingka:** What we can do is we can take you through the details offline so that you can sort of get your explanations to your satisfaction. Please reach out to us offline and we will take you through how to look at the math's on this front.
- Priyank Chheda:** Definitely, I'll get back to you on offline. Just if you can help us on what the capital allocation plans in case.... We are very clear that 60-80 crores is the CAPEX requirement. Other than that, where do we plan to use the cash flows that we are going to generate? Because, we have done large capacity additions few years ago and we are ramping up and this is the time when we are reaching out a good healthy cash flows, what are the plans for the utilization of that cash flows?
- Shrikant Himatsingka:** It's nothing other than this. There is the organic CAPEX, there is principal and interest that your operating cash flow would go to address, and organic dividend and tax. These are the only buckets there. This is what it would go to cover and the specifics of this we will be happy to understand what you have in mind and take you through in greater detail offline.
- Moderator:** The next question is from the line of Shivang Joshi from Centrum PMS. Please go ahead.
- Shivang Joshi:** I wanted to understand if you can give us some details. One is, the RoSCTL benefits which have been extended to 2024, but certain products were not covered under RoSCTL. I think they were going to be covered under RoDTEP. Whether we have recognized any export benefits in the last 9 months during the quarter? If yes, what will be the quantum of the same?
- Shrikant Himatsingka:** I don't believe we have recognized anything of that sort.
- Shivang Joshi:** Because I remember reading in one of your previous result said that since we have not notified yet, we have not recognized it under RoDTEP. Whether it was due, on which products were covered, if you can give some details?
- Shrikant Himatsingka:** I don't think there is anything of that nature to worry about.
- Shivang Joshi:** Also, from an accounting point of view, your normal RoSCTL benefits are forming a part of your revenue from operations. Am I correct or your account it on a 6 months' basis or your account it every quarter on an accrual basis?
- Shrikant Himatsingka:** It is accounted every quarter as an integral part of total income - revenue from operations.
- Shivang Joshi:** Second question which I wanted to understand was, when I compare your results versus the peers results, specifically in the home textiles space, we have seen quarter on quarter the large

ones posting more than double-digit growth, i.e., if I have an adjusted growth for Himatsingka, it stands at around 4% on the top line. We are the ones who are having better capacity at the moment while others are at already 90+ percent utilization because we have recently ramped up our capacity. So, what is it that our revenue growth was in single digit? Rather, I would say only 4% compared to others which have been at double digits. Or is it a quarter-specific phenomenon and we expect the revenues to see a stronger growth going ahead?

Shrikant Himatsingka: My own observation on this is, first of all, I can't comment on what my peers did.

Shivang Joshi: When I am looking at home textile space.... Sorry for asking specifically about peers, but because this industry is operating mainly in exports market, and for us as investor community, it is easier for us to compare on that front. We have been seeing a strong growth in Himatsingka. Whether this is pertaining to this specific quarter or.... If you can just highlight some points from your end.

Shrikant Himatsingka: I cannot comment on the sequential piece. Y-o-Y we have grown approximately 24% and we are pretty pleased with that performance. I would request you to decode the numbers of other players in the home textile space because they could be operating in segments which we are not and so on, but we thought that the operating revenues were satisfactory for the quarter. And as I said, our order books for H2 remain buoyant at this point and I don't see any concern for us from a standpoint of sequential growth or anything of that nature. I think we are holding stable and we are focused on making sure that we are addressing the inflationary impacts that have risen during the last 6-7-8 months and making sure that our margin profile is back on track.

Shivang Joshi: Regarding your sheeting capacity utilization, before the debottlenecking, additional capacity kicks in from the 2nd half next year as you have estimated, basis the demand scenario that you are witnessing right now, when do you expect the sheeting capacity utilization to be growing in the 90-95% range or closing to the peak capacity utilization? I am talking only about the current capacity, not post debottlenecking capacity.

Shrikant Himatsingka: I think, going into the rest of H2, we should progressively see some increases on the utilization front as I had outlined earlier and the fresh capacities that we will be bringing on stream will again progressively be placed as the way we see things at this point. Please do remember that a lot of these capacities in the industry are also geared for peak requirements that come up during any fiscal. So, we are mindful of that as well and we are equipping ourselves to make sure that we have the right quantum of peak capacity availability going forward. Basically, from our current capacities, we will continue to look at placing and enhancing our utilization levels, and once our debottlenecked capacities come on stream, which at this point, we are forecasting H2 FY23. Those incremental capacities, as someone earlier asked, we feel, will be absorbed by the demand that exists both internationally and domestically and we will also keep additional capacities available for peak demand.

- Shivang Joshi:** One small question if I can just squeeze in. This year, in-house spinning capacity, it caters to what percentage of your total yarn requirement if you can just say and how much is met from outside?
- Shrikant Himatsingka:** At this point, it caters to approximately 25% or lower.
- Moderator:** The next question is from the line of Aman Sonthalia, an individual investor. Please go ahead.
- Aman Sonthalia:** Sir, my question is that recently we had started doing business with Walmart, and during the month of January, I think we have acquired Disney. How this business can be scaled up in the future?
- Shrikant Himatsingka:** While I cannot specifically comment on either one, Amanji, but large clients typically continue to grow and they have several fronts on which we are working on that. As far as Disney is concerned, that's outlined fact that the revenue streams will start coming in this year. Is it going to create a very large additional revenue stream? No. This will help us maintain our organic growth rate and strengthen our juvenile brand portfolio. I think, all in all if you see, currently we are clocking 1st half revenues of Rs. 1,636 crores, which has seen some strong organic sort of movement. I am talking for Himatsingka specifically. And all these initiatives - be it geographic expansion, product category expansion, enhancement of capacity utilization at our terry towel plant, onboarding new brands such as Disney portfolio - Himatsingka continues to lead the way in global capability solutions in the cotton space. All of these initiatives have helped us keep our revenue momentum and that's what we think will continue going forward.
- Aman Sonthalia:** Sir, recently I have heard an interview of Mr. Piyush Goyal and he mentioned that very soon India is going to sign FTA with EU and most probably with the UK also. How big the story is for the home textiles sector?
- Shrikant Himatsingka:** In addition to the China-Plus-One theme that seems to be playing out, if the government does succeed in signing FTAs with these jurisdictions, it will definitely give a fillip to the home textiles sector. Now, how much of the enhanced revenue streams will filter in immediately and how much will take a little while, that time will tell, but I think that will be good news for the industry and will continue to aid capacity utilization efforts by the industry if that were to happen.
- Aman Sonthalia:** Sir, how much export incentives are we yet to receive from the government?
- Shrikant Himatsingka:** I cannot comment on a number, Amanji, but the government has not been dispensing export incentives, i.e., RoSCTL since the month of January.
- Aman Sonthalia:** Sir, one last question that since our plant is not running at full capacity and we are planning to expand the capacity by around 70% if you take on an average basis from towel and sheeting, whether we are confident enough that we can sell that quantity going forward?

Shrikant Himatsingka: We are progressively ramping up our terry plant. Please be mindful of the fact that the terry plant was commissioned during October 2019 and 4 months later after commissioning, we had to face the shutdown due to the pandemic, and then basically we have ramped up our plant from 0% to 71% in about 17 months or less than that of effective run. I think the underlying momentum of the ramp-up of new facilities is reasonably strong, and by the time those capacities come on stream, we are confident of progressively ramping that up as well.

As far as sheeting is concerned, we have about 18-19% of headroom at this point which we are working on placing, and the additional capacities that come on board will also be progressively placed as I said earlier. These are not things that can be placed overnight but nor can you build capacities in small increments. So, you have to build capacities in a slightly larger increments and place them progressively. So, the rest of the headroom that we have on sheeting, we are confident of hitting going forward. And with the fresh capacities that come in place, we feel that the global demand alignment is such that there would be capacity absorption progressively on that front as well.

Aman Sonthalia: Sir, are we planning to enter any other product in the home textiles sector? Are we in the fashion and utility bedding?

Shrikant Himatsingka: Himatsingka operates in broad cross section of product categories in the home textiles space, probably amongst the broadest in the industry. So, both our sheeting and terry towel plants operate in several subcategories. And on the sheeting plant, we operate in fashion bedding, we operate in the utility bedding space, we operate in the core bedding space, we operate in the comfort bedding space. We are constantly looking at enhancing our product offering adjacencies vis-a-vis the global clientele. The same holds good in our terry towel plant as well. So, we operate in the core towel space, the kitchen towel space, the beach towel space, the seasonal offerings space, and various other product subcategories that go into catering to nuances of demand. So, I think as far as Himatsingka product portfolio is concerned, it's broad and deep and it is strong from that standpoint. While we will continue to look to add to our adjacencies, we are pretty well positioned at this point of time.

Moderator: The next question is from the line of Aditya from Arcticlight Capital Ltd.. Please go ahead.

Aditya: My question is regarding the debottlenecking. Firstly, when did it exactly start? Which month did we start the debottlenecking?

Shrikant Himatsingka: As we said that we are currently scheduled to commence during the H2 of FY23, we will keep all the stakeholders posted on the developments. We are taking it organically. We have no hurry to commission it. It is currently scheduled for the 2nd half of FY23.

Aditya: I was asking that from the perspective of... I think in the last or two con calls ago, you had mentioned from the day we start working on the debottlenecking, it will take six months. So, I am assuming we are going to start in January, it is going to take six months. Is that correct?

- Shrikant Himatsingka:** From the day we start, it could take anywhere between 6 and 10 months depending on what the underlying asset is, but when we say H2 FY23, it's not all going to happen on the 1st of September so to say. It would progressively kick in starting that time.
- Aditya:** My second question is more of a bookkeeping question. You said we recognized 35 crores of the RoSCTL last quarter, correct?
- Shrikant Himatsingka:** That's right.
- Participant:** And that will be under revenues?
- Shrikant Himatsingka:** That's right. Excluding that, the sequential growth was approximately 4%.
- Aditya:** The 35 crores now recognized last quarter, how much of that could have been recognized this quarter? I am just trying to make sense of it because if we recognized all of it last quarter, then how do I look at the growth?
- Shrikant Himatsingka:** It is recognized every quarter. There are exports sort of incentives that are approved on how much we export. So, every quarter, you would accrue your share for that quarter. Q1 was an exception because the government was silent on its policy which it made clear during the 1st quarter. So, the 1st quarter's recognized benefits belonged to the 1st quarter as well as Q4 FY21.
- Moderator:** The next question is from the line of Deepak Poddar from Sapphire Capital Partners. Please go ahead.
- Deepak Poddar:** Sir, I just wanted to have some clarification. You mentioned that once your cost mitigation is done, you expect normal EBITDA margin of 20% to 22%. Is that what you expect coming from 1st quarter of FY23? What is the timeline when you expect this mitigation to get over completely?
- Shrikant Himatsingka:** It is a difficult question to answer, Deepakji, because we are unable to predict inflationary movements. We don't know how long this inflation is going to last, but we are working on pricing strategies that help mitigate this inflationary impact as well as driving growth to mitigate this impact. Would it be reasonable to assume that over the next six months, a lot of this would be mitigated? I guess so, but if there is another bout of inflation over and above what exists today, that's a fresh challenge that will present itself. I think it's reasonable to assume that in the next six months, this will be sort of addressed largely speaking.
- Deepak Poddar:** How do you see growth next year?
- Shrikant Himatsingka:** As we said, we are currently seeing growth over FY21 and we will continue to see the utilization levels rise both in our terry and sheeting plants which will drive growth during the next fiscal as well. The growth will come in from the existing headroom that we have in capacities, from fresh capacities that we are bringing in to debottlenecking initiatives during the 2nd half of next fiscal, and of course, value growth that will come in from the price increments that we have to undertake

in order to mitigate the inflationary impacts. These will be the three broad buckets that will drive growth as I see.

Deepak Poddar: What sort of price hikes we are looking at overall, maybe till next six months and already we have taken, would it be in the range of 10% is what would be a fair thing to assume?

Shrikant Himatsingka: I am sorry, I can't comment on specific price rise sort of numbers. The inflation is pretty heavy, so we would have to look at reasonable price hikes to be able to mitigate this impact. So, the number you mentioned plus minus would be reasonable generally speaking.

Deepak Poddar: Even next year, the volume growth of 10% to 15%, would that be also a reasonable number to assume?

Shrikant Himatsingka: We do not give guidance on that, but yes, given the headroom we have in capacity and some fresh capacity is coming on stream, we will directionally be looking at enhancing our volume placements.

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

Prerna Jhunjunwala: Sir, I wanted to understand the demand scenario with respect to various geographies because you have presence in US, Europe, Middle East, and Asia as well. How is the demand panning out? And how is the demand across brands and the private label retailers? These two aspects on the demand should help us understand the current scenario.

Shrikant Himatsingka: I think demand across geographies, channels, private label platforms, and branded platforms remain pretty encouraging. We don't think that there is any worry on that front. I think what's important is the pricing piece has to fit. It doesn't take very long for us to make this 81% utilization to 100% or 98%. It won't take very long, but we are making sure that we are adding utilization that is profitable and is something that we desire to have. There is demand, and the industry and we are grappling with the inflation, and I think our focus is making sure that we get the equation right between pricing and capacities. I don't see any issue on the demand side and I think what I see is in the short-term addressing this issue on the inflation.

Prerna Jhunjunwala: GSP status of China has been removed last week and I think December will be the last period when they don't get GSP benefits. So, is it a great opportunity for Indian textile exporters including Himatsingka for further deeper into Europe?

Shrikant Himatsingka: We are in the process of examining all the math that goes around this development, Prerna. I think we will be better positioned to answer it offline once we have done a little more research on this but all of these developments including the other things like FTAs that someone spoke about will directionally point to opportunities for Indian textile players to capitalize on going forward.

Moderator: The next question is from the line of Mr. Resham Jain from DSP Investment Managers. Please go ahead.

Resham Jain: Sir, just one question on the inventory front. At the retailer level, because of inflationary headwinds, typically retailers try and mitigate their overall inventory in the system. At the same time, there are logistical challenges and most of the retailers would want to keep a higher inventory at this point of time. So, how are you seeing the inventory situation with retailers currently vis-a-vis let us say normalized pre-Covid period, are they on the higher side, lower side, how are their restocking levels? Some thoughts on the inventory situation at the retailers end.

Shrikant Himatsingka: My thoughts on the inventory situation on the retailers front, Resham, it's not something that is trend one can speak of at least vis-a-vis the clients will be doing. Pretty much every client has his own situation. Some clients are on the upper band of inventory levels and some have the inverse ratio. Unfortunately, there is no common thread that we can see on that front.

Resham Jain: Overall, on an aggregate basis, the inventory should be similar to pre-Covid levels. Is that a fair thing to generally I am saying?

Shrikant Himatsingka: Resham, let us take that offline because there is a lot of analytics around that which one would have to delve into sort of arrive at a reasonable assessment, but I will be happy to address that in a greater detail offline.

Moderator: I now hand the conference over to Mr. Shrikant Himatsingka for closing comments.

Shrikant Himatsingka: As always, thank you all very much to take all this time and be a part of this conference. We do hope we have answered all your questions and queries. If there is anything that's remained unanswered or you would like greater clarity on, do reach out and we will be happy to assist you to the best of our abilities. Thank you all again.

Moderator: On behalf of Batlivala and Karani Securities India Private Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.