REF: HSL/SEC/2024/16

February 09, 2024

To	To
The Deputy Manager Department of Corporate Services BSE Ltd. PJ Towers, Dalal Street Mumbai 400001 **Scrip Code: 514043**	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**

Dear Sir/ Madam,

Sub: Transcript of Conference Call for Analysts and Investors.

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

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose herewith a copy of transcript of conference call for Analysts and Investors held on Monday, February 05, 2024.

Please note that the transcript of conference call will also be available on the website of the Company.

Please take the same on record.

Thanking you,

Yours faithfully,

For Himatsingka Seide Limited

Shrikant Himatsingka

Digitally signed by Shrikant Himatsingka
Date: 2024.02.09 16:38:25 +05'30'

Shrikant Himatsingka
Executive Vice Chairman &
Managing Director
(DIN: 00122103)

"Himatsingka Seide Limited

Q3 FY '24 Earnings Conference Call"

February 05, 2024

MANAGEMENT: **MR. SHRIKANT HIMATSINGKA – EXECUTIVE VICE CHAIRMAN & MANAGING DIRECTOR – HIMATSINGKA SEIDE LIMITED**
MR. SANKARANARAYANAN M. – PRESIDENT, FINANCE AND GROUP CHIEF FINANCIAL OFFICER – HIMATSINGKA SEIDE LIMITED
MS. SHILPA SHANBHAG – VICE PRESIDENT, STRATEGIC FINANCE – HIMATSINGKA SEIDE LIMITED

MODERATOR: **MS. PRERNA JHUNJHUNWALA – ELARA SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Himatsingka Seide Limited Q3 FY '24 Earnings Conference Call, hosted by Elara Securities Private Limited. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Prerna Jhunjhunwala from Elara Securities Private Limited. Thank you, and over to you, ma'am.

Prerna Jhunjhunwala: Thank you, Manuja. Good evening, everyone. On behalf of Elara Securities India Private Limited, I would like to welcome you all for Q3 and 9 months FY '24 Post Results Conference Call of Himatsingka Seide Limited. Today, we have with us the senior management of the company, including Mr. Shrikant Himatsingka, Executive Vice Chairman and Managing Director; Mr. Sankaranarayanan M., President, Finance and Group CFO; and Ms. Shilpa Shanbhag, Vice President, Strategic Finance.

I would now like to hand over the call to Mr. Shrikant Himatsingka for opening remarks, post which we will take the Q&A session. Thank you, and over to you, sir.

Shrikant Himatsingka: Hi. Good evening, everyone. On behalf of Himatsingka, I'd like to welcome you all to our earnings call this evening. I'll just take you through a brief business update and then open the floor to Q&A. I'm presuming that all of you have gone through the numbers that have come out. So our Q3 FY '24 operating performance continued to demonstrate progressive improvement Y-o-Y, on the back of improved capacity utilizations, softening raw material costs and marginal easing of energy costs.

During the quarter, our capacity utilization levels were the same as last quarter, largely in line with what stood during the last quarter, where our Spinning division was at 99%, our Sheeting division came in at 67%, and our Terry Towel division was at 67% as well. We continue to see a stable demand environment and remain focused on expanding our global client base, channel presence and market presence.

Key raw material prices were stable during the quarter and thereby contributed to improved operating margins year-on-year. With the launch of our Himeya brand, we now operate 2 brands in India and we see India as a major market for home textile products and -- over the next 5 years. On the debt front, the company's net debt was range-bound and stood at INR2,626 crores versus INR2,579 crores at the end of last quarter.

So this is a quick business update, and we'll be happy to take any questions and queries that you may have. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rusmik Oza from 9 Rays EquiResearch. Please go ahead.

Rusmik Oza: Sir, I just want to know, in the last quarter, two of your larger peers have reported healthy volume growth of one is reported 26%, other reported 36% growth in volumes. Whereas our revenue has degrown by 3% on a year-on-year basis. If you can provide some reasoning for that, sir. And my second question is now we have been at the 67% utilization for some time now. But when do you think as a company, we can reach optimum utilization, say, of 85%, 90% in the future?

Shrikant Himatsingka: Well, to the first part of your question, actually, our manufacturing throughput has been up Y-o-Y. I'll get back to you offline on specifics. The volumes on the manufacturing funds front has grown Y-o-Y.

Some of our other product categories that we were earlier traded, and I shared with stakeholders that we have ceased such operations as they don't sync with our model going forward. So, yes, on a consolidated basis, there's been a slight degrowth in revenue, Y-o-Y. But on the manufacturing front, there's actually been an increase in utilization, Y-o-Y. So that's my response on your first part of your question.

And on the second part, that's what we are focused on as we see. We are now consolidating our operating performance over these 3 quarters of this fiscal after a bumpy ride last year. And going forward, as I have shared with you all earlier, it will be our endeavour to look at enhancing utilization levels as soon as possible.

So we are scanning opportunities to enhance our client base. Our geographical presence, which we are also doing. We've announced our foray into India, a couple of months ago. We think India is going to be a strong emerging market for us. So I think with all these initiatives, we will see an uptick on that piece as well. I wouldn't want to put a timeline to it, but I would assume that it will be in the near future.

Rusmik Oza: Okay. Sir, my next question is, we have put a notice for raising around INR400 crores by way of QIP, if you could just give us what is the purpose of this fundraise and where it will be deployed?

Shrikant Himatsingka: Yes. We have disclosed to the exchanges our intent to seek approval from shareholders to be able to raise an issue with Securities for up to INR400 crores. So it's an enabling resolution that we have taken from the Board and will take from the shareholders. The objective of such issuance whenever it does happen, is to essentially to deleverage, and there will be some portions of the issuance that could potentially go into other general corporate purposes. And that's been outlined in our releases as well.

Rusmik Oza: Okay. But primarily, will it be to repay debt or for expansion? Just a clarification.

Shrikant Himatsingka: If the company were to do an issuance of securities, the purpose of it is to largely deleverage.

Moderator: The next question is from the line of Narendra from RoboCapital. Please go ahead.

Narendra: So my first question would be regarding our Himeya brand. So what kind of revenue is it doing? And what are the margins on it? If you could provide some ballpark numbers about that, that would be helpful.

Shrikant Himatsingka: So we've just launched the brand, Narendra, a couple of months ago. So it's too early to share any numbers, but we have put out in public domain what we intend to achieve from India over the next 5 years. We think the theme of domestic consumption is a strong theme. And with the launch of Himeya, we will have 2 brands in India.

One Himeya and the other is Atmosphere. Atmosphere operates in drapery and upholstery space. Himeya operates in the bedding and bath space. And in addition to this, there are private label opportunities as well in the Indian jurisdiction. And so we will be looking at all of these areas and growing India in the years to come.

As far as margins are concerned, as has been asked this query before, we feel that what we'll do with the Himeya brand or the Atmosphere brand for our stable state will not be decretive in any form to our EBITDA profile. So the margin profile on an EBITDA level that we expect to earn from these brands at stable state will be comparable to where we are today in the 18% to 22% range.

Narendra: Okay. Good to know. And we have been seeing stable margins over the past 3 quarters. So is it safe to say that these are the kinds of margins that we could see going ahead in a stable state situation? So would that be fair to say?

Shrikant Himatsingka: I've always said that depending on product mix and other parameters, our EBITDA margins historically have been range-bound between 18% and 22%. And that's the kind of bracket that we have sort of -- that's the kind of band that we have shared with stakeholders in terms of why we feel comfortable to be at as an EBITDA band.

Narendra: Okay. Got it. And what would be your outlook on debt -- on your debt levels?

Shrikant Himatsingka: So I think thematically speaking, we've been sharing with stakeholders for a few quarters now that we are wanting to sort of focus on deleveraging. And that's precisely what we are trying to do. At this point, Y-o-Y, our leverage levels are slightly below what it was last year during this period and initiatives that we have announced and so on are all sort of headed in the same direction of deleveraging. So as a theme, that's something that's on our priority list, and we will be focused on that.

Moderator: The next question is from the line of Prerna Jhunjhunwala from Elara Securities Private Limited. Please go ahead.

Prerna Jhunjhunwala: Sir, just wanted to understand the demand scenario on the global platform. And what is leading to increasing focus on India market? Because you mentioned private label opportunities also here in India. Just wanted to understand the global opportunity as well as India opportunity for you.

Shrikant Himatsingka: I think the global opportunity and its scope is fairly well defined now over the years as an industry. So the Americas, the UK and European region and Asia Pacific, and the Middle East and Asia Pacific. The size of these markets and the scope that they have is fairly well established in terms of broad numbers.

So nothing changes on that front. I think the industry continues to consolidate, and I think that opportunities will continue to be available to players from India and to us going forward. So that will sort of play out. Our India piece is largely being driven by a substantial emerging opportunity within our country.

And so we didn't want to miss the bus on being present in India and being part of the growth journey on the domestic -- of domestic consumption as it plays out. So it will work as this is part of our -- as an extension of our current strategy of expanding markets, India happens to be another market and will serve to derisk revenue streams from Western jurisdictions.

Prerna Jhunjhunwala: Okay. Understood. And sir, could you also explain us the sensitivity of raw material price movement going forward? What is your outlook on cotton and how do you see this 21% kind of margin sustainable based on your inventory procurement strategy?

Shrikant Himatsingka: Well, I mean, at this point, what I see on the cotton front is largely stable for now. I have no specific data or evidence to suggest anything otherwise. Having said that, it's a commodity and it's subject to fluctuation. Our EBITDA margin profile, as I've shared with stakeholders is has been range bound to 18% to 22%, depending on the quarter and product mix and so on and so forth. Of course, there could be exceptions to this in extreme cases of volatility. But other than that, it's largely range bound in this sort of brand. So my views on that remains the same. And as far as cotton, it's stable.

There is no macroeconomic or cotton-specific data that's out there in public domain or otherwise, which makes me believe that there is going to be a lot of volatility or swing in prices of cotton. But as I said, it's a commodity. It can swing in the direction. But I think it's been stable now for a while and we hope that it remains range bound. It's bound to move, but hopefully, it's range bound.

Prerna Jhunjhunwala: Do you think there should be -- there will be any changes in the cotton procurement policy because prices are at near MSP levels this year?

Shrikant Himatsingka: Selectively, there won't be any substantial change in policy. But as part of our policy, we in the ordinary course of business take views on cotton depending on the variety of the cotton. And so that's something that we would anyway do in the ordinary cost. But it could, as I said, your views on raw material can swing either way. So within the confines of our policy and the frameworks that we operate in, we do take such views from time to time and we'll continue to do so.

But I don't see any substantial change in our internal policies or anything of that nature. It will be dependent on varieties of cotton, there are various kinds of cotton, there is various grades of cotton. And so it has to be a more granular, let's say, derisking initiative or hedging initiative, if you will, which anyway plays out in the ordinary cost.

Prerna Jhunjhunwala: Probably I should rephrase the question. I was wanting to check if you will be buying more cotton this year because they are available at lower prices or the MSP level.

Shrikant Himatsingka: As I said, that's what it is today for certain variety. It's not for varieties across the board. I think at this point for certain varieties where we feel there is a value proposition, and we feel that we can take a slightly longer view on that particular variety, we'll do so as we would have in the ordinary course of business. Because in the ordinary course, if there are prices that prevail below MSP or in that region, and we think it's a good time to pick up a little more, we would, but nothing else changes for us from a policy standpoint.

Moderator: The next question is from the line of Manish Dhariwal from Fiducia Capital Advisors Limited. Please go ahead.

Manish Dhariwal: So first, I would just like clarify the name of my company, it's called Fiducia Capital, Fiducia -- Yes, it's okay. So I would first complement the management and the promoters team for setting up a fantastic business. And well, we've had some, you could say, some issues in the past because of the change in the prices and COVID, etcetera. But yes, it's a fantastic business that you set up, sir. So my compliments to you on that.

And also having -- so having said that, sir, now one question is that you've been attacking the element of debt, which basically is hurting the balance sheet at this point of time. So -- but I note that our cost of debt is like continuing at about INR75-odd crores a quarter, so -- while we are making cash flows. So how is it that you are trying to tackle this element in the business?

Shrikant Himatsingka: Manish, the answer is simple. We have finished a capex pre-COVID, which was pretty substantial. And post-COVID, we have come a long way, but we have also witnessed some volatility. We are of the opinion that we need to deleverage. That's something that we want to prioritize and we're working on. Models, our plants are indeed world-class, industry-leading in many cases. Our capacities are of global scale.

Our know-how is deep. Our track record is nearing 40 years. Our brand portfolio is strong. The promoter tax record is strong. We need to work on deleveraging, which we have transparently shared with stakeholders. That's something we are doing. And that's something that those initiatives will have a direct impact on the numbers that you just mentioned in terms of our interest outgo per quarter. So that's how we're looking at it.

Manish Dhariwal: So that's a very qualitative answer, which actually I already know about the business, right? It's a high-quality business. But some numbers with that would have like really helped. Because INR75 crores hitting on the P&L every quarter, it basically kills all the good works being done?

Shrikant Himatsingka: Yes. So that is emanating from -- so why don't I do this, Manish, instead of going granular into numerical analysis, I'll take this off-line with you. And me and my team will be happy to take you through the numbers and explain to you to your satisfaction on these fronts.

Manish Dhariwal: So I would love that. I, in fact, tried in the past, but then I wasn't really very successful to connect with the team at your organization?

Shrikant Himatsingka: You try immediately after this conference call, and we'll be happy to address it.

Manish Dhariwal: So what number do I try on, sir? I'm sorry, I'm asking these questions, but then like I had really tried to connect on the phone...

Shrikant Himatsingka: Dial our landline 2237-8000, request to be connected to the group CFO. And right after this call is done, within 10 minutes, we will be on the line with you to explain this to you.

Manish Dhariwal: So that would be wonderful, sir. Sir, my second question was how much is our Atmosphere business on an annual or a quarterly basis in India?

Shrikant Himatsingka: Atmosphere, it's a small brand at this point because it's a luxury brand. And it's operating in luxury price points, but that's something that we will be changing going forward. So right now, the business is probably in the INR20 crores, INR25 crores region as a brand.

Manish Dhariwal: Okay. But in fact, if you ask me, it's an extremely timely decision that the organization has taken about looking at India in a very strong manner. And Himeya brand and Atmosphere policy, I think it's very timely. And it's 100% going to bring results. So absolutely, meaning I really kind of aligned with this policy.

Sir, my next question is, sir, on this -- say, if the RM cost goes up, the cotton as you rightly mentioned that nobody controls it, right, it's a commodity. So -- and we are actually at the upper level of our EBITDA brand, which is like say 21%, 20%, you have been mentioning 18% to 22%. So suppose if the RM cost goes up tomorrow, how much will my EBITDA come down?

Shrikant Himatsingka: Manish, that depends on how...

Manish Dhariwal: We don't know when it's going to happen. See, again, I'm not asking you that now you please kind of tell me as to when that's going to happen. I'm not asking that. My question is, it's simple numbers -- You know that -- if my RM cost goes on -- goes up by say a percent, how much impact will be on my EBITDA. Because we are sensitive to RM costs?

Shrikant Himatsingka: I mean just generally, as -- generally speaking, as an industry, I mean, there's thumb rules, right? It's my personal view on how one can sort of framework this is probably -- hold on one second -- about 25 basis points, 20 to 25 basis points per percentage point of the inflation, broadly speaking.

Manish Dhariwal: Okay. So basically, like the RM cost goes up by 1%, EBITDA gets hit by 25 basis, all right?

Shrikant Himatsingka: Look, it could vary. It could go outside that framework...

Manish Dhariwal: Right, I understand. Absolutely...

Shrikant Himatsingka: Your understanding and put it in...

Manish Dhariwal: Absolutely. I understand that, sir. And sir, lastly, how many months in multiple you hold on cotton, typically in a normal business practice?

Shrikant Himatsingka: How many months of cotton does one hold?

Manish Dhariwal: Yes.

Shrikant Himatsingka: Approximately a quarter thereabouts.

Manish Dhariwal: Quarter would be like 3 months, right?

Shrikant Himatsingka: That's right. It could be lower than that. It depends on varieties.

Manish Dhariwal: Absolutely. As a broad number...

Shrikant Himatsingka: We are somewhere in that range.

Moderator: The next question is from the line of Rusmik Oza from 9 Rays EquiResearch. Please go ahead.

Rusmik Oza: So my question was pertaining to this deleveraging only. If I add up the 9 months profit and depreciation, the cash profit annualized is coming to roughly around INR400 crores and maybe -- sorry, INR300 crores and if we use INR400 crores of QIP and, say, retire debt of around INR650 crores, INR700 crores.

My question was, we have long-term debt, which is roughly around INR1,600 crores, short term is INR1,120 crores or so. And I presume that the average cost of debt is around 5.5%, 6%, but there could be some working capital loans, which could be at high-interest rates. So is it fair to assume that a bulk of the repayment will go in for a little longer interest cost? And how much could that savings in interest work out to, say, in terms of percentage?

Shrikant Himatsingka: Rusmik, so broadly, your construct of total debt, plus/minus INR100 crores is fine. The only thing is to the best of my knowledge, there is no debt available at 5.5%, at least to us. So the average cost of debt is higher than that. That's my feedback. And the other is that, as we've stated in the objectives and have put forth in the public domain, our object -- largely -- if and when we were to do an issuance, the purpose of such issuance will be largely to deleverage.

And if we were to largely deleverage using issuance proceeds and internal accruals as per your example, then the savings that will accrue to the company will be at a higher rate than you just mentioned and will be largely towards term debt.

Rusmik Oza: Okay. So will it be in the range of 8% to 10% or so cost of borrowings?

Shrikant Himatsingka: I think it's a fair assumption to make in today's interest rate environment, right.

Moderator: The next question is from the line of Nihar Shah from Crown Capital. Please go ahead.

Nihar Shah: I just have one question. On revenue, like what kind of revenue are we expecting to close on this year?

Shrikant Himatsingka: Nihar, unfortunately, we don't give guidance's of that nature. And we've had a stable 3 quarters, Y-o-Y. Last year was very volatile for reasons that we've shared largely owing to extreme levels of inflation and destocking initiatives that were undertaken by global clientele last year. So we are sort of stabilizing once again, largely stable performances across the quarters, and we hope to remain focused on such sort of themes of performance.

Nihar Shah: Okay. And do we have any capex plan going ahead?

Shrikant Himatsingka: No, Nihar. We don't have any specific capex plans other than what we've already disclosed, and that is our maintenance/organic capex that is -- that typically is between INR60 crores to INR80 crores per year. At this particular point in time, we have no other capexs that we have in mind. If there is something that comes up, then we will disclose that to stakeholders. But at this point, we intend to remain within the framework of our maintenance and organic capex requirements only.

Moderator: The next question is from the line of Prerna Jhunjhunwala from Elara Securities Private Limited. Please go ahead.

Prerna Jhunjhunwala: Sir, just wanted some color on the brands that we are having in our portfolio. How is your performance? And how is the private label or private label performance in our key market?

Shrikant Himatsingka: Prerna, that will be quite a long-term sort of explanation and it's pretty nuanced. So feel free to call us, and we'll take you through.

Moderator: As there are no further questions, I now hand the conference over to management for closing comments.

Shrikant Himatsingka: So thank you all very much for taking your precious time this afternoon to join us for this call. I hope I have thrown light and answered some of your queries and questions. Do feel free to reach out to us should you need anything more, and we will answer them to the best of our ability. Thank you again and catch up next quarter. Thank you.

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