



REF: HSL/SEC/2022/08

February 24, 2022

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

**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 February 14, 2022.

Please also note that the transcript of conference call will also be available on our website [www.himatsingka.com](http://www.himatsingka.com).

This is for your information & records.

Thanking you,

Yours faithfully,  
For Himatsingka Seide Limited

A handwritten signature in black ink, appearing to read 'M. Sridhar', written in a cursive style.

Sridhar Muthukrishnan  
Company Secretary

Encl: as above

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## **Q3 FY22 Earnings Conference Call**

**February 14, 2022**

**Moderator:** Good day ladies and gentlemen, and a very warm welcome to the Himatsingka Seide 3QFY22 post results conference call, hosted by Batlivala & Karani Securities India 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 “\*” then “0” on your touchtone phone. I now hand the conference over to Ms. Perna Jhunjhunwala from B&K securities. Thank you and over to you ma'am.

**Perna Jhunjhunwala:** Thank you, All. Good evening, everyone. On behalf of B&K Securities, I would like to welcome you all for Q3 FY22 post results conference call of Himatsingka Seide Limited. Today we have with us the senior management of the Company including Mr. Shrikant Himatsingka, Managing Director and CEO, Mr. K. P. Rangaraj – President Finance and Group CFO, Mr. Dilip Panjwani, Senior Vice President & CFO –Strategic Finance and Mr. Sachin Garg, VP - Strategic Finance. I would now like to hand over the call to the management for initial comments. Thank you and over to you sir.

**K. P. Rangaraj:** Thank you Perna. Good evening, ladies, and gentlemen. On behalf of Himatsingka Seide Limited, I would like to welcome you all for the Q3 FY22 Earnings Call. As usual and in accordance with the past practice, I will start this earnings call with a business update followed by some pointers on the financials and followed by debt.

So, I will now start with the business update section. The Q3 FY22 witnessed marginal improvement in capacity utilization levels at the terry towel plant. The capacity utilization levels of the sheeting plant remain stable. We are cautious on capacity placements in light of the current inflation scenario and supply chain challenges. We consider these challenges to be short term in nature and should iron out over the next couple of quarters.

The capacity utilization levels of our manufacturing facilities during the quarter stood as follows:

Terry towel division during the quarter was 72% as compared to 71% in the previous quarter. Sheeting division recorded 81% capacity utilization, which was the same in the previous quarter and spinning division 101.5% was largely in line with the last quarter. During the quarter, revenue streams from brands stood at Rs. 556 crores versus 551 crores during Q3 FY21 and Rs. 574 crores during the previous quarter. Inflation on the raw material, energy and logistics fronts have 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 any inflationary impacts. We expect the inflationary headwinds to continue for the next couple of quarters.

We continue to be on track for debottlenecking, sheeting and terry towel plants and expect the new capacity to start commencing operations in H2 FY23 as was informed to you all earlier. Our view on the medium-term industry outlook and India's positioning as a major global supplier continues to be optimistic.

I will now move on to the financial section:

Consolidated total income for the quarter stood at Rs. 792.68 crores versus Rs. 681.66 crores during the previous year. This represents an increase of 16.3% year-on-year.

During the quarter ended December 2021, the Company recorded the realization loss of Rs. 8.48 crores due to decline in realizable value of e-scrips under RoSCTL and RoDTEP schemes. This impacted the total income.

Consolidated EBITDA for the quarter was Rs. 131.76 crores versus Rs. 157.34 crores during the previous year. The EBITDA margin for the quarter stood at 16.6%.

Consolidated EBIT for the quarter stood at Rs. 91.57 crores versus 119.54 crores in Q3 FY21.

Consolidated PBT for the quarter stood at Rs. 43.83 crores versus Rs. 74.65 crores in the previous year. As per the last communication from Government of India, interest benefit for the pre- and post-shipment rupee export credit under interest equalization scheme was available till September 30, 2021. There has been no further notification on the same hence in the current quarter the Company did not accrue any benefit under the scheme resulting in higher interest costs. This has caused an impact of Rs. 5.4 crores on the consolidated PBT for the quarter.

Consolidated PAT for the quarter came at Rs. 27.05 crores versus 45.07 crores in the previous year.

I now move on to the consolidated financial performance for the nine-month period, YTD:

The consolidated total income YTD December stood at Rs. 2,428.76 crores versus Rs. 1,524.49 crores in the previous year. This represents an increase of 59.3% year-on-year. Consolidated EBITDA for the period was Rs. 439.45 crores versus 173.51 crores in the previous year. The EBITDA margin for the nine-month period ended 31st December 2021 stood at 18.1%. Consolidated EBIT for the nine-month period ended 31st December 2021 stood at Rs. 320.99 crores versus Rs. 58.49 crores in the previous year.

Consolidated PBT stood at Rs. 189.94 crores versus a loss of Rs. 79.16 crores in the previous year. Consequently, the PAT for the current year was Rs. 132.77 crores with a loss of 90.92 crores in the previous year.

I now move on to the debt section:

The Consolidated gross debt as of 31<sup>st</sup> December 2021 stood at Rs. 2,675 crores compared to Rs. 2,681 crores at the end of the previous last quarter the total term debt stood at Rs. 1,711 crores and total working capital debt stood at Rs. 964 crores. The cash and cash equivalents at the end of 31<sup>st</sup> December 2021 stood at Rs. 163 crores. Consequently, the Company's net debt

outstanding as of 31st December 2021, stood at Rs. 2,512 crores which was marginally down compared to Rs. 2,527 crores as of 30<sup>th</sup> September 2021.

This completes the update. I would like to now pass on the question-and-answer section to our Managing Director Mr. Shrikant Himatsingka.

**Moderator:** Thank you very much, ladies and gentlemen, we will now begin the question-and-answer session. First question is from the line of Aman Sonthalia, an individual investor. Please go ahead.

**Aman Sonthalia:** Sir, my question is that recently I have heard the conference call of Welspun and Indo Count they were expecting a demand dip in the next two quarters. So, whether we are experiencing the same thing in our Company, whether the sale will come down in the next two quarters.

**Shrikant Himatsingka:** Yes. Fair question Aman ji the demand piece is a little difficult to predict because it could be a Company-centric phenomenon, there is some inventory correction happening in the major markets vis-a-vis retailers and supply chain congestion and some inventory corrections could possibly lead to some movement in demand. As far as we are concerned, at this point if I take the next couple of quarters, it is looking broadly stable. So, we are not seeing any strong uptick nor are we seeing any major negative movement, we are seeing it as stable at this point. But this is something that will play out in the months to come. At this point, this is how we are looking at it. But yes, there seems to be some correction in the inventories and consequent demand requirements in certain sections of the market.

**Aman Sonthalia:** Whether this is short-term demand destruction or long-term demand destruction.

**Shrikant Himatsingka:** Our own view is that it is short term and specifically from Himatsingka standpoint, because we have also commissioned new capacities and brought on-stream a lot of new product to offer to clients and we are looking at expanding client base both in existing markets and new markets. So, those efforts might partially offset some softness that are coming in certain sections of the market. So, I think overall, in the short term, there could be a slight overhang on the demand piece although we look at it currently as broadly stable and as far as the medium to long-term is concerned, I think the story and the narrative remains intact, the way we see it is India will continue to be a major global supplier of soft home products and the China-Plus-One strategy will play out as we are seeing at this point and there are other socio political and geopolitical factors that are playing out in India's favor including but not limited to the potential FTAs that could come India's way and raw materials in jurisdictions like China that are facing some headwind on the raw materials given the US ban on certain kinds of raw materials. So, all these factors combined the medium-term outlook and model as far as India's positioning is concerned, I think the way we look at it remains intact.

**Aman Sonthalia:** Sir since January, the cotton prices have shoot up, the cotton prices are at an all-time high, so whether it will impact our margins in the coming quarters?

**Shrikant Himatsingka:** Yes, I think the Company has done a fairly good job in Q3 vis-a-vis our operating margins, but the inflation the way is playing out is it is sort of a moving number and a moving sort of target. So, one round of price increases and price balancing is obviously not adequate to address such underlying inflationary movements and the Company continues to be focused on pricing to be able to mitigate this moving inflation that we are all witnessing. Having said that, as far as the current quarter is concerned, and your question is concerned there could be impacts of moving inflation during the quarter, although we are trying to mitigate it to the best of our ability, but it is difficult to predict where will we come in at vis-a-vis margins. I think we should be broadly range bound plus minus.

**Aman Sonthalia:** Okay and sir the demand situation is not looking very bright, we are going ahead with the debottlenecking. So, whether we are confident enough in the next one or two years, we will be able to use that capacity?

**Shrikant Himatsingka:** Yes because again, let me say that this demand, let's say softness slash overhang is as I said, the way we look at it is more short term, the medium term continues to look as it did in terms of it seems to be intact and the definition of short term as we see it at this point is over the next six months' post that from a medium-term standpoint, we do not think that the model will suffer a great deal. We think that the story is intact and hence we are broadly on course with our debottlenecking exercises at this point.

**Aman Sonthalia:** Sir we have around 80% of our sale coming from the brands. So, whether this is also helping us in overcoming this inventory problem which other companies are facing?

**Shrikant Himatsingka:** Right, that's partly, it partially does help in mitigating these kinds of challenges, although the nature of the challenges this time is so extreme, it has never been witnessed before in the industry. So, relatively speaking, yes, the strong intellectual property portfolio does aid in mitigating these challenges to that degree your observation is right. Both in terms of broader stability and things of that nature. So, yes from a relative standpoint, it does aid us to some extent.

**Aman Sonthalia:** Sir the fashion bedding market, I think, is quite big and right now, China is dominating that market. So, there is a huge scope for India to enter in that market and take big share from China I think, it is very big for Indian home textile companies. So, whether Indian Company or industry or your Company also making effort to protect market share.

**Shrikant Himatsingka:** So, that gets covered in the China Plus One sort of movement that's playing out, that is across core bedding, fashion bedding, utility bedding, and so on. It is across all the categories of products, that not only us, but peer companies operated. So, you are right fashion bedding is also a major segment. But it is covered in the larger market share that India is eyeing and it is covered in the fact that there's a China Plus One sort of piece that's playing out and it is a subset of those factors.

**Aman Sonthalia:** Sir, it is huge market.

**Shrikant Himatsingka:** Yes, it is relatively large, but there are nuances to it maybe we can take that offline among because that that would entail a detailed discussion. Otherwise, if I were to summarize things for you on the fashion bedding piece, it might confuse you. So, we will be happy to take it offline and take you through it to more granular sort of detail.

**Moderator:** Thank you. Next question is from the line of Prerna Jhunjhunwala from B&K Securities, please go ahead.

**Prerna Jhunjhunwala:** Sir in this demand related issue that is cropping up, could you give us some color on US versus non-US portion of demand? How is it shaping up and how is Disney acquisition getting traction in current scenario and how are you looking at it?

**Shrikant Himatsingka:** Yes, it is difficult to make accurate predictions on demand Prerna, as you can imagine. Various retailers are seeing this in different ways and are going through different experiences. So, there are clients who are pushing back on supply and there are clients who want more of it. So, it is difficult to get an accurate read in terms of what is really happening. But yes, it is true that there are certain sections of the market as I said earlier, where some demand overhang is being witnessed, basically on account of a confluence of events that include supply chain issues, late arrival of seasonal inventory and things of that nature. So, in the next three to six months, could there be some overhang on demand from certain sections of the market? Yes, potentially speaking, that's possible. At this point, we anticipate broad stability, but as I said, it is a moving target and we will have to wait and watch. Vis-à-vis on question on US versus non-US there is not much light I can specifically throw on that. Both markets seem to have a similar sort of, let us just say symptoms that they are displaying at this point. So, there is not major differences at a macro level that we have seen. It is retailer specific, channels specific, products specific and therefore, it is difficult for me to summarize this directionally for you. I am sorry that this is the best I can do in showing you or giving you our opinion on the demand piece at this point because it is a little vague in the very nature of the issue.

**Prerna Jhunjhunwala:** How is the non-US portion actually I wanted to understand about Disney also.

**Shrikant Himatsingka:** Well Disney has a new portfolio; it is picking up well. We are still under one year into this portfolio. We are seeing 16% Y-o-Y growth under these conditions. We were pretty happy with that Y-o-Y number broadly speaking, which is including revenues from portfolios like Disney and so on. So, yes, is it very material at this point? No, but it aids our brand portfolio from a standpoint of juvenile augments, and therefore helps us in being more complete solution providers, to our clients and we think that's being met and we are happy with the fact that it's part of our portfolio. I think there will be more to come with these portfolios in the coming year because even in FY22, we did lose a few months of demand on the second & third wave and so on. So, having a FY23 should have more in the offering vis-à-vis portfolios like Disney.

**Perna Jhunjhunwala:** That is nice. So, one bookkeeping question on tax rate. This quarter your tax rate was higher versus Q2. So, some light on how we should go ahead on predicting your tax rate it will be helpful.

**Shrikant Himatsingka:** Yes, I think what we can do on tax Perna is you could please circle back and take this offline. So, you will be in a better position to grasp, where are we headed on tax and Ranga and his team will take you through our position in terms of where you should be predicting our tax rates at.

**Moderator:** Thank you. The next question is from the line of Vikas Jain from Equirus Securities. Please go ahead.

**Vikas Jain:** Sir a couple of questions. So, firstly, on the realization loss on the value of the scrips that we hold, could you quantify what is the current amount of scrips that we hold and is there any chances that these provisions would continue in going ahead as well?

**Shrikant Himatsingka:** The losses that we have taken for the quarters to the tune of eight and half crores, we chose not to make it an exceptional item because we thought that it would be an interest of investors to not show it as an exceptional item because in YTD numbers it would anyway be subsumed into the normal P&L. So, therefore, we did not show it as an exceptional item, but the hit as you read is approximately Rs. 8.5 crores and e- scrips we hold are to the tune of approximately Rs. 175 crores at this point. On the losses that we have booked is essentially, on the realizable value, losing realizable value that was foreseen for the scrips, net of what we use these scrips for vis-a-vis imports and so on. So, that is where we are today. Himatsingka has chosen not to encash these scrips because the markets did go through a temporary let us just say supply pressure, as we saw it on the scrips, and hence, the realizations on the scrips were a little volatile in the early part of the year, but we have been seeing some subsequent improvement, week-on-week in the scrips realization rates, which we hope will normalize in due course.

**Vikas Jain:** Okay. Sir next question, wanted your color with respect to how are we doing with respect performance in Europe? I do recall that last year, we did exceptionally well, in terms of growth of our revenues from Europe side. We are almost nine months of this year; we would want to qualitatively comment on how has Europe performance for us in this nine months and how do we see this business going ahead.

**Shrikant Himatsingka:** Vikas I think as far as Europe is concerned; it will remain a major area of focus for us along with other markets outside the North Americas. North America, of course, is central in terms of its largest market, but as you rightly pointed out, the Company is focused on developing its market share both in Europe and APAC regions. Europe did do well, last year, and continues to do reasonably well. I would have to circle back to you almost specific numbers vis-a-vis Europe and we will be happy to take that offline with you.

**Vikas Jain:** Sure sir, one last question. Just as you commented, in earlier participants answers, we are seeing some sluggishness, with the sacral demand as there is some channel blockage, so there is an

inventory in the blockage. So, we expect we will be able to take further price hike if required, as the current RM situation is. Will we be able to take the price hike given the demand situation is not very robust in the near term, at least.

**Shrikant Himatsingka:** Yes, I think round 2 and round 3 of price increases have to take place. Round 1 for the industry is obviously over and demanding on the client and market round 2 either is in progress or is over and in some cases round 3 of price increases are underway, this varies by client and by region. In my opinion, it is inevitable for the industry. They have to acknowledge these unprecedented levels of inflation, and they have to take necessary steps to correct pricing. As I said in some cases it will happen earlier than later and in some cases, it might kick in a little later than earlier. But it has to happen and it could happen in many forms and shapes there could be customers who would want to tweak their product, there could be customers who would absorb the price increase and not increase retail price points and there could be customers who increase their retail price points. We are seeing strategies that straddle the entire spectrum of options, vis-a-vis how customers take these increases, but in our estimate over the next 3 to 6 months, they will continue to be focused on price balancing and this is something that the industry will inevitably have to resolve together and why I say together, there could be some instances where price increases are short of expectation and the absorption is inadequate and in certain other cases it is more than adequate. So, I think on an average the pricing piece will have to play out and it should continue to play out over the next 3 to 6 months.

Softness and demand necessarily will not stand as an impediment to this beyond the point. It could only delay it, but while I say this I must also tell you that there are, I mean, there is no certainty to what I am saying, but there are chances of the cost inflation, that one is witnessing. There are chances that one starts to begin to see some correction on that front as well. So, ideally speaking there should be some cost corrections. These are the input prices, and the continuing repricing of the products both these sort of things together should help the industry to get back to its normalized margin profile in the medium term. Medium term meaning hopefully 6 months out.

**Vikas Jain:** Sir just to refine a little bit could you quantify if at all did we take any price hike in Q3? If yes, then how much and if no, then is there any chances that you will be taking any price hike in the current quarter, the ongoing quarter?

**Shrikant Himatsingka:** We did take in Q3 that is partly the reason why our operating margins came in at pretty healthy levels under the circumstances, but then, while we took in these hikes, we continue to see raw material prices increase. So, we were in discussions for our next round of hikes and the next round of hikes. Some might kick in during the quarter in the early parts. Some might kick in the later half of the quarter, some might kick in early Q1, but maybe there will be some trickle of price increases coming in this quarter as well.

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

**Kaustubh Pawaskar:** My question pertains to the consolidated debt; can you clarify the consolidated gross debt number was around Rs. 2675 crores.

**Shrikant Himatsingka:** Yes the consolidated gross debt was 2675 and the consolidated net debt is 2512. So, the debt has corrected from last quarter marginally, it would have corrected more substantially had it not been for the blockages that we witnessed in the realizing of scrips during the quarter, but that is something that is work in progress as I just shared with a little earlier and once that comes through that piece should help in further de-leveraging. As a team, we will be focused on deleveraging, as we said, our major CAPEX cycle is over. Unfortunately, we were hit by this hyperinflation sort of cycle over the last few quarters that affected our scheduled deleveraging activities, but with decongestion in RoSCTL and some correction in costs on the inflation front plus internal accruals in the ordinary cost, we will continue to be focused on de-leveraging and enhancing our EBITDA at the other end. So, both these initiatives put together should substantially correct our leverage ratios vis-a-vis where we stand today.

**Kaustubh Pawaskar:** So, do we have any targets in the immediate future, maybe after two years, they are looking these levels should come down by around 500 to 600 crores some target on a reduction in debt and also in terms of the EBITDA margins like you see EBITDA margins over the two years considering now in a medium-term growth outlook or demand outlook in various parts.

**Shrikant Himatsingka:** Yes. So, we are looking at approximately close to Rs. 500 to 600 crores of net debt correction over the next two fiscals and obviously, an increase in EBITDA during the same period as we do not give guidance and so, I cannot give you a guidance on EBITDA but I can certainly just share with you where we are looking at, sort of debt if I look at over the next two years in terms of corrections. So, correction in net debt by Rs. 500 to 600 crores during the next two fiscals, coupled with the increase in EBITDAs with the higher utilizations at our Terry Towel and Sheeting Plants along with the nominalizations in margins, after the re-pricing/cooling down of this current hyperinflation cycle should aid us in getting to where we want to be in terms of our ratios.

**Kaustubh Pawaskar:** Right sir and one last one do we have any customer acquisition in this quarter or any possibility of new customer adding to wait for the next one or two quarters?

**Shrikant Himatsingka:** Yes, we have. We have clients in most quarters. There are some quarters where we do not have clients that is also true in this industry, but I would say that because we have just commissioned our terry towel plant one and a half years back, we are constantly adding clients in our home textile portfolio overall, which we hopefully will continue to do. But as in this industry it is not like you keep adding clients endlessly, but our organic rate of client addition is very healthy at this point. In fact, as Ranga read out earlier, we are a little cautious on capacity placements in the short term. We do not want to be taking knee jerk placements in capacities just to show augmented utilization levels at the cost of optimal pricing optimal pricing is an important piece of the puzzle at this point and we do not want to miss focus on that.

**Moderator:** Thank you. The next question is from the line of Vaibhav Gogate from Ashmore. Please go ahead.

**Vaibhav Gogate:** Could you could you please highlight the reason for a sharp increase in other expenses on a I --  
-Q basis?

**Shrikant Himatsingka:** Vaibhav it is driven by freight and energy.

**Moderator:** Thank you. The next question is from the line of Dikshit Mittal from LIC Mutual Fund. Please go ahead.

**Dikshit Mittal:** Sir my first question is on top line, because in second quarter, you had mentioned that you had lost around 3% of the revenues because of these logistic issues. So, if we take into account then the sequential fall seems slightly more exaggerated. So, any issues faced this quarter as well on the logistic side?

**Shrikant Himatsingka:** Yes, so fair question. So, the overhang up 2-3% was not necessarily made up this quarter, the overhand continues. So, therefore sequentially, the read is, whatever it is, it is not more than what it is, the way you are looking at it therefore would not give you an accurate picture, because the 2-3% that we lost in revenues the last quarter, while it came in this quarter, but the same overhang continued in this quarter as well, broad supply chain disruptions continue. So, therefore, it is a like to like comparison and in this business, there are seasonality's to home textiles and I would the Himatsingka has always looked at it is more from a Y-o-Y standpoint than Q-o-Q standpoint traditionally speaking, because of the seasonality is involved and therefore we were pretty pleased with the 16% Y-o-Y growth that we have seen and the close to 60% Y-o-Y growth that we have seen in a nine-month period. Of course, there is a slight exaggeration in the nine-months because of the lockdown that was witnessed during the last year but corrected for that it would still be in the region of close to 20% which we seem to be pleased with as an organic rate of growth in light of our new capacities being commissioned.

**Dikshit Mittal:** So, sir in terms of full utilization of our existing capacities. So, by the end of next year, can we achieve that based on the current visibility that we have? Sir I was asking in terms of our existing capacities, so when do we expect to reach full utilization maybe by the end of next year can we hope to achieve that?

**Shrikant Himatsingka:** And as we said, we currently are on track to debottleneck our capacities and so those additions will come through from our organic CAPEX sort of outflows. Our major CAPEX outflows are over and I shared with investors that we will be looking at debottlenecking capacity is largely through our organic CAPEX by over this and next year and so, our current utilizations of 80% and 72%, we have some upside there, plus whatever we debottleneck and I think over the next few years, we should be running at relatively high levels of utilizations including our debottleneck capacity for our Terry Towel plant, and for our Sheeting plant to some degree we

might have some headroom post debottlenecking, but we should be up there in utilization in Sheeting as well.

**Dikshit Mittal:** Okay, sir secondly, on a margin, though, we have recovered on a gross margin front this quarter, but as you mentioned, because of freight and energy cost our EBITDA margins, we have reconnected sequentially. So, our freight cost, is it a pass through? Like, are you supplying on a FOB basis or CFR, how should we look at it?

**Shrikant Himatsingka:** These are largely inland freight driven freight rates, that one hit by because most of the businesses not CIF in this industry. But the internal freight is also a large costs and saw tremendous inflation. Energy also saw tremendous inflation. So, therefore, the total expenses went up sharply and of course, raw materials in context to cotton continues to see unprecedented levels of pricing and disrupted availability. So, it has truly been pretty challenging and we think that, yes these challenges are not going to be there in a medium term, but for the short term, 3 to 6 months, we continue to see some of these challenges persist.

**Dikshit Mittal:** So, freight rate you mean, the domestic freight rates.

**Shrikant Himatsingka:** Yes largely, there are some buckets where international freight rates also impact us, but it is largely driven by inland freight.

**Dikshit Mittal:** Okay, but internationally, you mentioned it is basically on FOB basis, right?

**Shrikant Himatsingka:** Yes, in most cases.

**Moderator:** Thank you. The next question is from the line of Neeraj Mansinghka from White Pine Investment Management, please go ahead.

**Neeraj Mansinghka:** Thank you. I have a few questions one, share the magnitude of the impact of the cost increase because of the fuel. How large was the fuel cost?

**Shrikant Himatsingka:** We cannot specifically take you through our fuel cost breakups minutes Neeraj, but what I could tell you is energy inflation is what we pretty much saw through hikes in coal prices. which was upwards of, I would say, around 150%. At an index level, it was even higher than that, but with prior contracts and weighted averages, bringing it down a little, that is the kind of impact we saw on fuel, namely coal and general energy inflation as well for our bought-out energy and inland freight where I was just saying that we saw, again, three-digit hikes in inland freight rates across the board, across ports, including various other indirect logistical costs of congestions, delays, and things of that nature. So, both of these costs are sitting in our other expense line item, which is largely driving the increase.

**Neeraj Mansinghka:** Got it, the other thing is, sometime back you had broken even on EBITDA side on Terry Towel. Can you give some color? I do not want to get the exact number or something like that, but how what were the margins of the Terry Towel division and how do you see it moving?

**Shrikant Himatsingka:** Neeraj, our home textiles business because our spinning is a captive plant, right and to our home textile for our sheeting yarn requirement largely, and the Company buys a lot of yarn over and above what it produces internally. So, the entire revenue that you are currently seeing is generated from our home textile business and the home textile business comprises of bedding and bath, sheeting and towels and the combined home textile business has largely similar EBITDA profiles, the way we see it, which in a stable state is typically 20 to 22% is where we see it coming in on a stable state basis, so therefore, that is what we have clocked in the past as well if you see our historical numbers without Terry because terry is a new plant, but even with Terry on a stable state, our EBITDA margins should be back to that kind of level on the condition that this inflation and pricing piece correct in the short term.

**Neeraj Mansinghka:** Actually, one more just one more, can you shed some thought process on where utilization lead to that number of 20-22% of the terry towel? Because terry towel is a new business that is why I was asking this question actually.

**Shrikant Himatsingka:** So, at these levels of utilization in a normalized raw material scenario these EBITDAs will kick in.

**Neeraj Mansinghka:** Okay, considering that the volume growth rate in the US does not pick up because of the overhang of supply sector or the slowdown in these products? So, do you see what are your thoughts on the market share on sheeting and towel. Can you throw some color on how you plan to increase your volume from higher market share increase in this market?

**Shrikant Himatsingka:** Himatsingka vis-a-vis India's market share?

**Neeraj Mansinghka:** Vis-a-vis US market share.

**Shrikant Himatsingka:** Vis-a-vis US market share, Himatsingka vis-a-vis India's market share of US.

**Neeraj Mansinghka:** Himatsingka vis-a-vis US market share.

**Shrikant Himatsingka:** Himatsingka core strategies the way we look at enhancing market share is essentially capitalizing on the fact that clients today want complete solutions, they want scale oriented players, they want product depth and breadth which helps them cater to a broad section of space shelf from a single source and Himatsingka along with a couple of other peers offer this from India at this point which makes it an attractive sourcing destination for global retailers, right and so, our strategy have also in addition to offering scale and product depth, which is probably industry leading at this point. In addition to that, we also have focused on making sure that we have an integrated model and we bring you know relevant intellectual property solutions to our

clients which also aids in sort of getting larger shelf space. So, all these three strategies put together in addition to that, we are also looking at enhancing utilizations by looking at other markets, which are non-US and the entire European and APAC focus is extending from that front. So, these strategies put together should help us the utilization clock ticking vis-a-vis market share and help us garner more market share.

**Moderator:** Thank you. The next question is from the line of Riya Mehta from Aequitas Investment. Please go ahead.

**Riya Mehta:** I would want to ask that what are the tailwind that we have seen in the future to come as we are aware of the headwind the US inflation and the demand going slow, but what could go right that the demand can kick in and what would be four factors or two-three factors which we would see as a tailwind?

**Shrikant Himatsingka:** Well, the tailwind I mean quite honestly, I do not see any specific tailwind to share with you at this point. It is one of those times where there seem to be more challenges in tailwinds at this point, but I think one can take solace in the fact that the inflation cycle has now been on for over 12 months. It is probably the time that it starts to correct. I think the government has taken notice of unreasonable levels of cotton prices as well as they have stated in the media and acknowledged in the media. So, I think the tailwinds are as follows. There will be a correction and in input costs, whether it happens in two months or four months or six months that is not predictable just like any other commodity, but there has to be some correction at some point. So, that is one. Second is the re-pricing of products is underway. So, that is also going to be playing out and at some point, once that is achieved, one should see relative normalcy, hopefully, coming back into margin equation. The third piece is if you look at the home textile industry in general, and the way things are played out, it is a relatively stable industry in terms of pricing, so once the industry has absorbed this inflation and repricing of products, which will hopefully see stability back in its numbers. Of course, I am talking more for Himatsingka at this point and the other thing that is playing out from a standpoint of potential advantages is the China Plus One, it is not just a narrative, it is sort of reality in things of sorts, that is that is slowly creeping into the demand equation. It is not just China, there are India as a favorable sourcing destination, when compared to various other jurisdictions not just China. India has positives to show and that could play out as well. So, there is product repricing, there is potential cost easing as far as input costs are concerned, there is a China Plus One but I would say that other than a China Plus One there are other jurisdictions as well which are under pressure for sociopolitical or geopolitical reasons, which make India a promising destination to source from. In addition to this as you all are aware, the government of India is lobbying hard to get the FTAs going vis-a-vis the European region and vis-a-vis the other jurisdictions as well, that could augur well for us and for the industry in general and in addition to all of these things, I think we stated stance of the government of India to push exports and reach new heights on the back of new schemes like the PLI scheme, and/or the interest subvention scheme and so on making capital more cost effective etc., which will hopefully come back into the system. These things will also help in positioning India as a more

attractive sourcing destination. Our fundamentals that we are the largest grower of cotton or second largest grower of cotton as the case may be, and the fact that we have capacities of global scale and plants of global scale, vis-a-vis our industry is a known fact and, we are well positioned to receive these macro sort of factors advantages should they play out, there well sort of position to receive and act on these factors as they play out. So, that is broadly how I see some of the tailwinds that could potentially surface.

**Riya Mehta:** Thank you sir that was quite brief explanation for the same. My second question will be in the last two three quarters, before the last one to quarter we were have a flavor that we could reach 18 to 20% EBITDA levels and targeting for 20 to 22%. So, are we seeing FY23 to be such kind of a year or we procrastinating more of headwinds to shadow.

**Shrikant Himatsingka:** So, 20-22 % is again, our stable state numbers, which as I earlier stated, I remain with those projections that we would be back to 20-22%. I think the question is when, quite honestly, nobody envisages this inflationary sort of cycle to turn into a weekly affair, and in many cases, a daily affair of enhanced prices and costs. So, that took us and industry by surprise, because there is no respite in the costs in going up. So, it was sort of a treadmill syndrome that we all found ourselves in, where cotton prices, for example, continued to go up week after week with no easing off. So, that is why the margins were not aligning with what we stated earlier because quite honestly, any forecast/prediction/ estimate/projection is based on some reasonable estimates, but if the macro factors are as unreasonable as they are then reasonable estimates really do not have much place. So, at this point, we have cautioned stakeholders that in the short term in the next three to six months, there could be continued volatility as far as into input prices is concerned and the re-pricing of products, and the cooling of some of these input prices should hopefully take place over the next three to six months is what we currently estimate, but please note that it is an estimate, we cannot predict how cycles will sort of unfold, but once this broad repricing and some cooling of costs have happened, the EBITDA profile should go back to normal, which is the 20-22%. So, if it eats into some part of FY 23, it is going to take three to six months, there could be some portion of FY23 that is affected.

**Riya Mehta:** Okay, thank you, sir also, my follow up question would be that, or do we see the price hike sufficient to overpower the increase in the input cost pressures also, which you see seeing lackluster demand, do you think another price hike could be absorbed by the market.

**Shrikant Himatsingka:** Like I said, the various rounds of price hikes that are underway, round 1 is probably over for the entire industry. Round 2 is underway in some cases and in some cases, that concluded as well and people are even on to round 3, but I think that re-pricing will not be necessarily adequate to cover the enhanced cost base. So, what we think is sort of ideal, and should also in normal circumstances be seen is that there will be a substantial portion of cost that is absorbed by pricing and there will be some amount that will be absorbed, not in the form of pricing, but in the easing of costs in itself, which we should now hopefully see in the next 3 to 6 months, where some of

these input pressures will ease and coupled with the re-pricing these two factors should help be margins come back to broad normalcy.

**Riya Mehta:** And for the demand perspective, the incremental price be absorbed in the market, or how do we see the market reacting to the increase in prices?

**Shrikant Himatsingka:** Well, the markets have never reacted favorably to any increase in price. It is just, that is just a statement from investors to truism, right? If you go to any retailer in the world, they always they always see price hikes as negative developments quite honestly, that is always the sentiment. So, it is not going to be easy. However, they understand that there is a new world order and costs and they have to align, therefore round 1 and partially round 2 are now concluded, or in the advanced stages of being concluded and it is just something that both the supply side and the buy side have to align to. However, having said that, I do agree with your statement that repricing will not be adequate to offset the costing. To adequately offset the cost impacts in addition to repricing, one would need some of the costs to ease, which is what we think will happen over the next three to six months, as well. For example, in energy, while it is up Y-o-Y by a fairly substantial percentage. as far as let us say in this case, imported coal is concerned, or coal is concerned. Over the last 2-3 months, there has also been a correction in coal, right. So, it is still up Y-o-Y, but we have begun to see some corrections creep in over the last 2-3 months. So, in the same way, hopefully, there would be some corrections that creep in into other areas, like freight and raw materials over the next 3 to 6 months in addition to the repricing.

**Moderator:** Thank you. That was the last question. I now hand the conference over to the management for their closing comments.

**Shrikant Himatsingka:** So, as always, it was such a pleasure to interact with all of you. I do hope that we answered most of your questions. If anything remains unanswered, or if you have any further questions/queries, do reach out to us and we will be more than happy to answer your queries to the best of our abilities and until then, do take care and looking forward to catching up with you all during our next call. Thank you very much.

**Moderator:** Thank you, ladies, and gentlemen, on behalf of behalf of Batlivala & Karani Securities that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.