

Himatsingka Seide Limited

10/24, Kumara Krupa Road, High Grounds, Bangalore - 560 001, India.

November 28, 2019

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Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001
Script Code : 514043

National Stock Exchange of India Ltd
Exchange Plaza, 5th Floor, Plot No. C/1
G Block, Bandra-Kurla Complex, Bandra(E)
Mumbai - 400 051
Symbol: HIMATSEIDE

Dear Sirs,

Sub: Transcript of conference call.

Please find enclosed a copy of transcript of conference call held on November 8, 2019.

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



Ashok Sharma
Company Secretary

Encl: as above

Q2 FY20 Earnings Conference Call

November 08, 2019

Pavitra: Good evening ladies and gentlemen. I am Pavitra moderator for the conference call. Welcome to Himatsingka Seide 2QFY20 post results conference call hosted by B&K securities India Private Limited. As a reminder all participants will be in listen only mode. Later, 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 start then zero on your touchtone telephone. Please note this conference is recorded. I would now like to hand over this floor to Ms. Perna Jhunjhunwala. Thank you and over to you Madam.

Perna Jhunjhunwala: Thank you Pavitra. Good evening everyone. On behalf of B and K Securities, I would like to welcome you all to 2QFY20 post results conference call of Himatsingka Seide Limited, from the company we have the senior management including Mr. Shrikant Himatsingka, Managing Director and CEO, Mr. K.P. Rangaraj, President Finance and Group CFO, Mr. Ashok Sharma, Senior Vice President & CFO (Strategic Finance) and Mr. Ashutosh Halbe, Executive Vice President and CFO (Operations). I would now like to hand over the call to Mr. K P Rangaraj.

Mr. K. P. Rangaraj: Thank you, Perna. Thank you for the introduction. Good evening ladies and gentlemen. And very warm welcome into our conference call. On behalf of the company, we would like to welcome you for the 2QFY20 earnings call. As usual I'll start with a short business update followed by a commentary on the financial performance for the quarter ended 30th September 2019 and there after a short commentary on the financial ratios, post which I will hand it over to our Managing Director Mr. Shrikant Himatsingka. So basically, in terms of the business update for the quarter, we commenced commercial production at the Greenfield Terry Towel Plant, as per schedule on 3rd October 2019. During the quarter, revenue stream from brands stood at ₹585 crores v/s ₹567 crores during the Q2FY19. On the consolidated financial performance for the quarter, consolidated total income was lower by 6.5% during the quarter and stood at ₹653 crores versus ₹698 crores in the corresponding quarter of previous year. Consolidated EBITDA, for Q2FY20 decreased by 8.8% to ₹140.61 crores, versus ₹154.13 crores in Q2FY19. Consequently, EBITDA margin was 21.5% as compared to 22.1% in Q2FY19. Our consolidated EBIT for the quarter was down by 10.4% to ₹114.52 crores versus ₹127.86 crores in Q2FY19. The Consolidated profit before tax, before exceptional item, for the quarter ended Q2FY20 stood at ₹67.72 crores versus ₹87.20 crores in Q2FY19. The exceptional item of ₹6.64 crores represents impairment of investment in equity share. The consolidated profit after tax, before

exceptional item, for the Q2FY20 stood at ₹40.72 crores versus ₹52.73 crores in Q2FY19. The consolidated profit after tax for the quarter ended 30th September FY20 stood at ₹34.08 crores versus ₹52.73 crores in Q2FY19. The consolidated cash profit after tax for the quarter ended September FY20 stood at ₹66.81 crores versus ₹79 crores in Q2FY19.

I now move on to the consolidated financial performance for the half year ended September FY20. The consolidated total income was marginally lower during H1FY20 and stood at ₹1,297 crores versus ₹ 1,300 crores in H1FY19. The consolidated EBITDA for H1FY20 decreased by 1.6% to ₹ 283.68 crores versus ₹288.43 crores in H1 FY19. The EBITDA margin was 21.9% as compared to 22.2% in H1FY19. The consolidated EBIT for H1FY20 declined marginally to ₹230.83 crores versus ₹235.87 crores in H1FY19. The consolidated profit before tax before exceptional item for H1FY20 stood at ₹140.0 crores versus ₹158.65 crores in H1FY19. Consolidated profit after tax before exceptional items for H1FY20 stood at ₹85.97 crores versus ₹ 97.31 crores in H1FY19. The consolidated cash profit after tax for H1FY20 stood at ₹138.82 crores versus ₹149.87 crores in H1FY19.

I now move on to the debt profile. The consolidated gross debt as of 30th September, 2019 stood at ₹2,698 crores compared to ₹2,832 crores at the end of Q1FY20. The total term debt stood at ₹1,798 crores and total working capital debt stood at ₹900 crores. The cash and cash equivalents and current investments stood at ₹214 crores as on 30th September 2019. Consequently, the company's net debt outstanding as of 30th September 2019 stood at ₹2,485 crores compared to ₹2,505 crores as of June 30th 2019.

Leverage ratios. The net debt, excluding project work-in-progress debt, to EBITDA was 3.47 times at the end of Q2FY20 against 3.57 times at the end of FY19. Debt Coverage ratio stood at 1.90 times at the end of Q2FY20, as against 1.95 times at the end of Q2FY19. The net debt to equity ratio stood at 1.74 times at the end of Q2FY20 versus 1.7 times at the end of FY19. The net debt excluding project work in progress debt to equity ratio stood at 1.4 times at the end of Q2FY20 versus 1.46 times at the end of FY19. Capital efficiency ratios. On TTM basis the Return on Capital Employed, excluding capital employed in projects work in progress, at the end of the quarter 30th September 2019 stood at 13.1%, which was the same as at the end of FY19.

The Return on Equity stood at 13.2% at the end of Q2FY20 compared to 14.9% at the end of FY19. With this I complete my update we will be happy

to take on any questions. I hand over the stage to our Managing Director Mr. Shrikant Himatsingka. Thank you.

Pavitra:

Thank you, Sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question please press star and 1 on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request you may do so by pressing star and one again. I repeat, ladies and gentlemen, if you have a question please press star and one on your telephone keypad. First question comes from Nihal Jham from Edelweiss. Please go ahead.

Nihal Jham:

Thank you so much and good evening to the entire management. I have three questions. My first question was that, if I look at the business, we basically have two main parts, which is the retail and distribution and second would be the B2B supplies to the big box retailers. Now when we look at the industry data both in terms of the retail sales and the US, they have been decent and when in India export for home textile, have been reasonably good in at least the last quarter. So, in this background, any specific reason why our sales have, you know, degrown. I would believe the volume growth, the volume degrowth will be higher because we would have had a currency benefit also. So just wanted your comments and outlook also on this.

Mr. Shrikant Himatsingka:

Fair question. While there has been approximately 6.5% correction in total revenue. You know there's no specific movement as such that we have to share with our investors. It's sort of range bound movements that one can see from time to time. You know there were a couple of roll outs during the last year and this quarter which haven't repeated during the same timeframe in two recent promotions and so on. But these are ordinary cost movements. So overall revenue streams have remained stable. I don't see any specific degrowth as such, I would look at this more as ordinary cost movements that at least we at Himatsingka, we do see from time to time between quarters.

Nihal Jham:

Sure sir. Any sense if the order that you mentioned that are not repeated that they could be possibly they've gone to some competitor you just believe did not taken place itself this time down.

Mr. Shrikant Himatsingka:

No, we don't believe you know if you look at us sequentially from 644 crores we have gone up to 653 crores in Q2 you know, from Q1. So, we don't see any issue of revenue migration to competition and so on. Having said that there will always be the revenue migration both outward and inward either

way, competition that happens you know, all the time but it's nothing directional.

Nihal Jham: Absolutely. So just on the margin front I think we did alluded to the fact that we've been getting high incentive and there was an issue with the drapery and upholstery business in the last quarter. If I see margins in the current quarter, is there an impact of the same which is continued?

Mr. Shrikant Himatsingka: Yes, we continue to see headwinds as I have shared with investors from our niche product divisions in the retail operations in Italy, Italian retail operations and also our legacy Drapery and Upholstery business, shared this earlier and the slight shift that we have seen on EBITDAs have also seen a contribution coming in from the weakening numbers in the Drapery and Upholstery and the Italian businesses. We are in the midst of addressing this issue and as Q3 and Q4 play out we are evaluating various restructuring initiatives for the business, which we would like to roll out. So those initiatives are currently under evaluation because as they currently stand these businesses are obviously not performing to our satisfaction and are eating into the operating performance of our core businesses. So, these restructuring initiatives are being currently evaluated and hopefully we will start rolling them out during this quarter and the next quarter.

Nihal Jham: Just a sense of it, in the first half what has been the negative EBITDA impact from the Italy business and drapery and upholstery?

Mr. Shrikant Himatsingka: I can't share the reasons and the specific numbers and such, Nihal. But you know there been significant deterioration YOY with regard to these divisions. Obviously these divisions are small. They're cumulative revenue contribution is approximately 5 to 5.5 percent of gross consolidated gross revenue or consolidated revenue. But their EBITDA contributions' are negative and has substantially deteriorated from the same quarter last year. And so the reduction in EBITDA has largely come from those impacts.

Nihal Jham: OK. Because I think in Q1 you mentioned a number of 14 to 15 crores was the total impact, I was just wondering if that is what it is in this quarter also.

Mr. Shrikant Himatsingka: Please repeat your numbers.

Nihal Jham: I was saying that in Q1 there was a mention of 14 to 15 crores kind of an impact on EBITDA because of these businesses. I was just wondering if it is the same number in this quarter also.

Mr. Shrikant Himatsingka: 14 to 15 you said?

Nihal Jham: Yes

Mr. Shrikant Himatsingka: Yeah it's continued... Yeah, around that region...

Nihal Jham: Okay. Just one last question. If I look at the balance sheet, CWIP was around ₹810 crores this I assume because the towel unit got commissioned, I think in the first week of October entirely relates to that. So at the outset was that the cost that you know we were expecting to spend on the towel unit and now that entire capex having been completed how much have you spent in total. I remember the press release from September 15. We were looking at it 1300 crores, spent in total on all the three capexes.

Mr. Shrikant Himatsingka: So, the capital work-in-progress includes not only the towel plant, it also includes other assets. So and as you rightly pointed out the assets of the towel plant had been capitalized on October 3rd last month. So, with that, that'll sort of you know move out of capital WIP. Some other ordinary course organic capital expenditure programs will always continue, but our main Capex largely has come to a close and some small campus capital expenditure continues, as I said on an organic basis. But there's nothing material that's really left vis-à-vis the overall capital program which we had undertaken over the last three years.

Nihal Jham: And what was the amount that we spent on these capex that we've done over the last three years?

Mr. Shrikant Himatsingka: Including organic capital expenditure and some debottlenecking capital expenditure, which was not a part of this three year project, approximately ₹1,800 crores in over the last three years including organic capital expenditure programs, including our debottlenecking initiatives and our main capex and including some working capital margins and so on.

Nihal Jham: Okay. Sir, what is the Capex number that we're looking at for this year?

Mr. Shrikant Himatsingka: What is the capex we will be looking at for what? Sorry?

Nihal Jham: So, for the remaining part of the year. Now that you are done with the Capex, so for the remaining part of the year how much more do we expect?

- Mr. Shrikant Himatsingka:** So now it's not material, you know it will be in sort of double digits and some organic capital expenditure that will continue from time to time.
- Nihal Jham:** Okay. And any chance of that paying down debt considering that you know the cash flows could be used to for that purpose.
- Mr. Shrikant Himatsingka:** I couldn't hear you, Nihal. Can you repeat please?
- Nihal Jham:** I was just asking in terms of debt repayment; we've done some debt repayment in this quarter. For the remaining part of the year and the next year, what is the trajectory we are looking at?
- Mr. Shrikant Himatsingka:** Yeah, as I shared with investors, we are clear on our deleveraging focus. We will start to see deleveraging; some we have already started to see. There could be organic movements in debt levels depending on working capital requirements and things like that. But overall we will look to deleverage going forward. So, we will start some deleveraging in H2 and FY21, that will be a strong focus as well. We are also focused on improving our working capital cycles. We have consistently been decreasing our inventory over the last three quarters. Our inventory, it stood at ₹1,175 crores during the end of March FY19 corrected to ₹1,113 crores by June and that's following ₹1,091 crores during September. So we will be focused on optimizing our working capital cycles. We will be focused on deleveraging vis-a-vis. our existing businesses going forward.
- Nihal Jham:** This will help us, sir. Thank you so much. Good talking with you.
- Mr. Shrikant Himatsingka:** Thank you.
- Pavitra:** Thank you, Sir. Ladies and gentlemen if you have a question please press star and one on your telephone keypad. Ladies and gentlemen if you have a question please press star and one on your telephone keypad. Next question comes from Mr. Pankaj Kumar from Kotak Securities. Please go ahead, sir.
- Mr. Pankaj Kumar:** Hello, Good evening Sir. My question is gross margin has perhaps come down, last year. So, is there, some improvement is there in the but overall how you see the raw material price scenario is going to benefit us in terms of gross margins.
- Mr. Shrikant Himatsingka:** Well our gross margins Y-o-Y have improved from 50.6 percent to 51.2 percent I would say they are range bound because that also changes with the
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product mix from Q2Q. At this point, you know we are not seeing the benefits of lower raw material prices as yet because we have booked raw materials you know at least two Qs out if not more in some cases. So you know we should hopefully start seeing those benefits more in starting FY 21. I see limited upside on raw material benefits during the second half of this year.

Mr. Pankaj Kumar: And sir in terms of demand scenario in that how is...give us some sense how it is.

Mr. Shrikant Himatsingka: I think the demand for us is stable. We are optimistic about our new terry towel plant. We are off to a good start with the terry facility, at the same time we are seeing some headwinds in our bedding division. With inflation and some product mix challenges and things like that we are also focused on reducing inventories. So, there are some softening on that account. I think overall we look at our portfolio to be stable. We will be focused on enhancing our capacity utilization levels across both our bedding and bath divisions during H2 and going into FY21.

Mr. Pankaj Kumar: So, since now the towel plant is operational, so in terms of the orders that we have what kind of utilization we can see in next one or two years on that towel facility?

Mr. Shrikant Himatsingka: I think we should be running at full utilization over the next two years.

Mr. Pankaj Kumar: Full utilization?

Mr. Shrikant Himatsingka: That's right.

Mr. Pankaj Kumar: And how much we see internally from our own plant?

Mr. Shrikant Himatsingka: Sorry, can you repeat your question?

Mr. Pankaj Kumar: How much utilization capacity would be that we are seeing utilized for our internal requirement? For our own brands and that licensed...

Mr. Shrikant Himatsingka: Our utilizations in terry as I said will ramp up to full over the next two years. We announced last fiscal that we've completed our de-bottlenecking initiatives in our sheeting division and enhanced our capacity to 61 million meters per year. So, we would like to see you know some utilization enhancement in that division as well. Going into a FY21 this will be our central theme for both our

divisions. Our spinning division is obviously full because it's a backward integration initiative and it's doing well. And so that will be our focus.

Mr. Pankaj Kumar: My question was on the internal requirement on the towel side. So, for our own brands and licensed brands how much capacity for the towel plant to that you look at utilizing...

Mr. Shrikant Himatsingka: I can't tell you what's what capacity we will specifically allocate for brands but our own requirements for our brand portfolios are also substantial, which will be met with capacities. Obviously, that alone will not be enough to fill the plant over the next couple of years. So, we will be looking at a) our own brands and b) the private label portfolios both in conjunction to be able to fill out capacities.

Mr. Pankaj Kumar: Ok. Thank you.

Mr. Shrikant Himatsingka: Thank you.

Pavitra: Thank you Sir. Next question comes from Ms. Prerna Jhunjunwala from B&K securities. Please go ahead Madam.

Prerna Jhunjunwala: Hello Sir! I just wanted to understand the traction in the new brand acquired. Is the performance better than our existing brand or in line with that. To get some understanding on the portfolio.

Mr. Shrikant Himatsingka: Well the major brand that we acquired the rights to was the Tommy Hilfiger brand and that's doing well as we see it. It's part of our national brands portfolio and we see the brand doing fairly well and in line with our expectations. Some of the other additions that we have made off late in the form of Royal Velvet and Waverly brands. These are smaller brands. They've been taken to address specific issues in the market. You know they will obviously not be anywhere close to the size of national brands.

So our national brand portfolio with Tommy Hilfiger, Calvin Klein and Kate Spade lead our brands portfolio and on cotton Brands portfolio, which is part of our ingredient branding portfolio continues to be robust and we continue to lead the track and trace sort of capabilities viz-a-viz cotton. And we, the group will continue to look for enhancing and continue to look for opportunities to enhance our branded revenue streams. Y-o-Y we've seen them inch up as well. And I think that traction should continue through the year.

Prerna Jhunhunwala: Okay. And sir, in your previous comment and I mean the benefit of lower cotton prices cannot be seen in the second half and it will be seen only in FY21. Can you please explain a little more because the cotton price drop has been significant around 12- 10% in the last three months. And this is a procurement time as well.

Mr. Shrikant Himatsingka: Yeah, I mean when we cannot see anything substantial is what I meant because we are covered on some of our purchases. So by the time the enter our system, go through the system really you know the weighted average in the system connects to those levels that the markets are at today. We will be in early at FY21. Because you will barely have you know let's say 20 weeks left for the rest of the fiscal.

Prerna Jhunhunwala: Okay. And in terms of working capital we have seen improvement from inventory and receivables both the sides. Can we quantify or just give a direction, how much improvement is possible in the given next one year time frame. as per the effort you are taking and the strategies you are implementing?

Mr. Shrikant Himatsingka: The one-year time frame should continue to see inventory reduction measures playing out it because of the ramp up of the Terry plant, we could see some of that benefit getting offset. But I think net-net you know at least another 10 to 15 percent reduction in overall inventory levels is what we will gun for.

Prerna Jhunhunwala: Ok, and Sir, my last question will be on capacity utilization of the bed sheet plant. What can actually drive the utilization levels over there because we were largely targeting the brands business. So if brands continue to grow at mid single digit, I mean just assuming US market is growing at that number. So what will actually drive the utilization levels for the sheeting business.

Mr. Shrikant Himatsingka: Basically more than the directional movement in the US market it will be more company specific opportunities in gaining market share. That's what will drive it.

Prerna Jhunhunwala: Okay.

Mr. Shrikant Himatsingka: Number one. Number two, efforts to diversify our geographical presence by having a stronger focus on the European markets and other ROW markets. That should also help utilization levels. So, I think these twin objectives together will help the utilizations in the in the bedding division.

Prerna Jhunjhunwala: Okay. Sir, can you update us on status of these two markets you launched Himeya brand also last quarter - Q4 quarter. Any update on that as well as on European markets?.

Mr. Shrikant Himatsingka: Europe seeing good traction as I shared with investors earlier. We have, we have a pretty small presence in Europe at this point. Over the last year we have been doing a lot of work to get traction in the European region and we are beginning to see that unfold. So I think going into FY21 maybe approximately 8 to 10 percent of revenues or maybe 6 to 8 percent of revenues could be emanating from that region.

Prerna Jhunjhunwala: And in the ROW market.

Mr. Shrikant Himatsingka: In ROW market, more specific updates... Himeya as I've said earlier Prerana, is another brand in our portfolio. It's a new brand and it's for certain target audiences and so on. So it's not like we're going to scale it very aggressively but at this point we've just launched it to nothing specific to talk home about viz-a-viz developments on that front. But for its positioning and in its target audiences and its offerings, it seems to be off to a good start as is the case with all the other brands. Which is why you're seeing the revenue streams from brands inched up so we're overall happy with the progress we're making in the European front. We are happy with the progress we are making on the brands front. Our focus will be to enhance utilization levels across bedding and bath divisions. And don't forget as I have shared with the gentleman earlier, we will be looking to roll out some restructuring initiatives of niche products divisions over the next couple of quarters in order to align them right. We make our best efforts on that front.

Prerna Jhunjhunwala: Okay, Sir. Thank you so much for answering all the question.

Mr. Shrikant Himatsingka: Thank you.

Pavitra: Thank you, Madam. Next question comes from Mr Resham Jain from the DSP mutual fund. Please go ahead Sir.

Mr. Resham Jain: Yeah, thank you for the opportunity. I have two questions. First is on these European operations which you mentioned plus the drapery business where we are in incurring 14, 15 crores per quarter kind of loss. When we actually look at the gross margins they're actually seeing some improvement Y-o-Y. So most of these losses must have been coming at the expenses level. So if you can just help us elaborate on those what kind of expenses are these and

how you feel these expenses over the next two quarters can come down. Just have to get more clarity on what kind of losses are these.

Mr. Shrikant Himatsingka: Points to simple case of you know higher operating expenditure viz-a-viz revenues and over the next two quarters if we have to embrace some pain viz-a-viz re-structuring of these divisions, we will do so up on appropriate evaluations. And the nature of such expenses essentially are retail stores that we've operated that we operate, personnel that we employ and various other promotional and marketing spends that we incur and so on and so forth, both fixed and variable in nature. So, from largely fixed and these are the expenses that we'll have to look at trimming down very clearly and we have to get a model right as well which is why I use the term restructuring. So we have to restructure the divisions to get the model right. If we don't do that then unfortunately the headwinds from these divisions continue and while they are small in size that they're impact both at the EBITDA and Net levels are significantly negative. So that will be our theme.

Mr. Resham Jain: Yeah. But do you feel like the next let's say two quarters you are seeing quarter 3 and quarter 4, there'll be more initiatives? So the proportion of these loss going to further go up before they settle down or you feel like.

Mr. Shrikant Himatsingka: They could because the restructuring demands, that upon appropriate evaluations if we have to align the models right and we have to take some pain on that front that might involve that. But there will be more short term.

Mr. Resham Jain: Okay. But from a FY21 onwards you feel things should be sorted out over there.

Mr. Shrikant Himatsingka: Yeah, substantially so.

Mr. Resham Jain: Okay. Okay. So that's my question number one. Question number two is on the debt side as you mentioned now going forward you don't have any material CAPEX left. And if I just read the cash flow you'll be generating closer to 600 plus crores of cash back and there'll be some additional working capital requirement but just based on the rough mathematics do you feel that 400 odd crores of debt reduction could happen over the next six quarters?

Mr. Shrikant Himatsingka: Yes. I cannot commit but I cannot dispute your thinking. So it's directionally right.

Mr. Resham Jain: OK. Okay. Fine. And sir, on the growth outlook for the second half if you can have some comment on that. That would be helpful. Based on the order book you have.

Mr. Shrikant Himatsingka: FY20 has been so far a year of several initiatives and consolidation measures we have taken. We have stabilized our spinning operations over the last 10, 12 months. We have completed our terry towel plant on schedule and commissioned the same after a lot of work on that front. It's a world class plant and I would invite investors to come and see if we can organize a visit for investors maybe. And we've also integrated well over the last twelve months - 14 months our Tommy Hilfiger brand and a couple of other brands that we signed up. In addition to this we've been working out recipes as to how best to address some of the challenges that they're facing on our niche products divisions. So that's something we have been doing along with a host of other initiatives. So, you know I think FY, the H2 of FY20 we'll just be focused on some of these initiatives. Towels will start to play out. As I shared we are facing some headwinds on sheeting. So I largely see that to be a stable H2 that we'd likely to be this.

Mr. Resham Jain: Okay. Thank you very much, Sir and all the best.

Mr. Shrikant Himatsingka: Thank you. Thank you.

Pavitra: Thank you sir. Ladies and gentlemen if you have a question please press star and 1 on your telephone keypad. Next question comes from Shradha Agarwal from Asian markets securities. Please go ahead.

Shradha Agarwal: Hello, Sir. Good evening to the management team. You alluded to some challenges in your bedding business due to some product mix. Can you elaborate more on this please?

Mr. Shrikant Himatsingka: Well markets had their challenges. We are seeing some pricing pressure globally on products. You know we are also seeing inflation at the other end. As I said as far as Himatsingka is concerned we are not yet seeing any benefit on the cotton front, it will take some time to trickle in. So I believe together you know create some headwinds for us on the bedding division.

Shradha Agarwal: But then are we confident of you know taking the utilization up in the second half or would it be again a drench found in second half as well.

- Mr. Shrikant Himatsingka:** I think there could be a mixed bag and difficult for me to specify exactly. But I would say that it will remain stable viz-a-viz our core operations. As I said our niche operations will be undergoing some restructuring during Q3 and Q4 depending on our evaluations. And that's a separate affair.
- Shradha Agarwal:** Right sir, and there were hopes that since home textiles had all been covered and that the U.S. - China trade war issue, India should really benefit out of this. So have there been any early signs of you know any incremental market share gains coming India.
- Mr. Shrikant Himatsingka:** Actually you know, up to March as I shared with investors, we didn't really see any material inquiries emanating on account of trade tensions between the U.S and China. I must say that over the last couple of months the intensity of enquiries has significantly increased. Will they result in the business, time will tell. But this is the current status. Having said that there is also some news that keeps floating around about easing of trade tensions and things like that. So it depends on obviously the larger policy frameworks that will unfold between the U.S. and China. But yes there has been an increase in inquiries. There's not been any conclusions of such inquiries as yet.
- Shradha Agarwal:** All right, Sir. One bookkeeping question, just taken a hit of close to 6.6 crores on account of payment on investment in some equity shares. Can you give some more details on that?
- Mr. Shrikant Himatsingka:** I mean it's just a onetime hit ma'am on an investment that we carried on an equity exposure. We only had one such exposure and in line with standards we have provided for the same.
- Shradha Agarwal:** Right Sir. And any plans of moving under the new corporate tax or we continue with the existing tax rates?
- Mr. Shrikant Himatsingka:** The implications of the new tax regime are under review. We haven't made any change in our stance for Q2 FY20. The same is being evaluated and we will come out with our stance over the next couple of quarters.
- Shradha Agarwal:** Right, Sir. And just to prod you of the bit again on the restructuring that secure undertaking in Europe. Any you know any ballpark indication as to how big can this expense be? Because you know we've already taken a hit just 30 crores in the last two quarters because of EBITDA loss in these businesses. But you know how would the debt look like in the next two quarters? Any directional sense would also be helpful.
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Mr. Shrikant Himatsingka: No. I cannot comment specifically on what this could be. It could be mirroring what you saw in H1. It could be a little more than that. But what I'd like to assure investors is that these divisions, as I said small they are not part of our core growth for years. If we have to take some short term pain in order to align the models of these businesses and get them right on track then we will do so. But our core operating businesses as I said will continue to remain stable for H2 FY20. And going into FY21, our teams will be focused on enhancement of utilization levels across bedding and bath divisions. The deleveraging piece which we will be focused on, our working capital cycles which will be focused on and also our capital efficiencies which we continue to work on. So, I would see if at all there are any hits of any kind vis-a-vis the restructuring of the niche products division, will be more sort of short term.

Shradha Agarwal: Sure sir. That's helpful. And one last thing if I can you know. My initial you know channel check suggests that the Cotton crop this time around is not a very good quality, the Indian crop. So any thoughts on the same would be appreciated, Sir.

Mr. Shrikant Himatsingka: You're right. The quality of the initial crop at least the varieties that we consume are not comparable to earlier seasons. There has been a deterioration for various reasons on the quality. It's a wait and watch ma'am, in terms of whether this quality degradation that attributable only to the initial crop or the you know to more than that I think this the broad consensus is that only the initial sort of crop is witnessing such issues and as the season progresses these issues shall be resolved.

Shradha Agarwal: Sure sir, that's really helpful. Thank you for your thoughts. Thank you!.

Mr. Shrikant Himatsingka: Thank you.

Pavitra: Thank you Madam. Ladies and gentlemen if you have a question please press star and 1 on your telephone keypad. Next we have a follow up question from Mr. Pankaj Kumar from Kotak securities. Please go ahead sir.

Pankaj Kumar: Thank you for the opportunity sir. Sir, this MEIS scheme, whether we have taken any benefit in the process?

Mr. Shrikant Himatsingka: We've taken benefits we can take that off line Pankaj, we will have to look at it but we have taken benefits in line with the export incentives that we're eligible for.

Pankaj Kumar: Ok sir, thank you.

Mr. Shrikant Himatsingka: Hello.

Pankaj Kumar: I am done with the question.

Pavitra: Next question comes from Rukun Tarachandani from Kotak Asset Management, please go ahead.

Rukun Tarachandani: Hi. Can you just give some more color on the revenue de-growth year-on-year that we've seen so far? Was it any particular brand, any particular segment where you're seeing an excessive pressure or is it much more broad based, you know across your all the segments and brands. So any additional color on this?.

Mr. Shrikant Himatsingka: Rukun if you look at y-o-y net sales have decreased 3.3 percent there's been some correction in other income which is down from 32.9 crores to 9.7 crores. We have always requested the investors to look at other income in conjunction with sales because of the standards applicable. So you know these are ordinary course movements and it's broad based. It's not pointed to any one place.

Rukun Tarachandani: Okay, Sir. Thank you.

Pavitra: Thank you, Sir. That would be the last question for the day. Now we hand over the floor to Mr. Shrikant Himatsingka for closing comments. Over to you Sir.

Mr. Shrikant Himatsingka: As always thank you all for the patient listening. We'll be happy to answer any further questions that you all have. Do reach out and we'll make sure that you've got all the answers. Thanks again and catch up soon.

Pavitra: Thank you, Sir. Ladies and gentlemen this concludes your conference for today. Thank you for your participation and for using Door Sabha Conference call service. You may disconnect your lines now. Thank you and have a pleasant evening!
