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July 20, 2020

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

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 July 06, 2020.

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

This is for your information & records.

Thanking you,

Yours faithfully,
For Himatsingka Seide Limited

Sridhar Muthukrishnan
Company Secretary

Encl: as above

Q4 FY20 Earnings Conference Call

July 06, 2020

Moderator:

Good evening ladies and gentlemen, I am Moderator for the conference call. Welcome to Himatsingka Seide 4QFY20 post results conference call hosted by Batlivala and Karani Securities India Private Limited. At this moment, all participants are in listen only mode, later we will conduct a question and answer session. At that time, if you have a question please press star and one on your telephone keypad. Please note this conference is recorded. I would now like to handover the floor to Ms Prerna Jhunjunwala from Batlivala and Karani Securities India Private Limited. Thank you and over to you ma'am.

Prerna Jhunjunwala:

Thank you Moderator. Good evening everyone. On behalf of B&K Securities, I would like to welcome you all for 4Q and full year FY20 post result conference call of Himatsingka Seide Limited. From the company we have with us the senior management including Mr. Shrikant Himatsingka, Managing Director and CEO of the Company, Mr K P Rangaraj, President Finance and Group CFO and Mr Ashok Sharma, Senior Vice President and CFO - Strategic Finance. I would now like to handover the call to Mr. Shrikant Himatsingka for initial comments. Thank you and over to you sir.

Mr. Shrikant Himatsingka:

Thank you and thank you everybody for taking your time to join us today. I would like to spend some time on business update and outlook followed by a brief narration of the financials which Mr Rangaraj will take you through. Clearly, the Q4 operating performance has been impacted and I would like to share with you a business update on that. So, the operating performance for the quarter has been severely impacted on account of Covid. Out bound shipments and operations that are manufacturing and distribution facilities were impacted beginning the second week of March. So, this is just a little bit prior to the lockdown. As per request received from clients, a substantial portion of shipments for the month of March 2020 had to be held back and consequently consolidated revenues saw an impact of approximately ₹200 crores for the quarter ended March 2020. Subsequently, on account of the lockdown in India and other major international markets, all our manufacturing and distribution facilities remained non-operational through April 2020. While we commenced partial operations in compliance with central and state government guidelines at the end of April 2020, operating conditions remained challenging on account of demand and supply chain disruptions. Therefore, the impact of the lockdown has affected the operations both in April and in May severely. Given the above the severity of the COVID-19 impact has affected our operating performance both for Q4FY20 and obviously given the lockdown for Q1FY21 as well. However, we have begun ramping up operations as I indicated partially in May and we have gained momentum in ramping up operations during June. The ramp up of operations are progressing well and I would also like to state that the Q2 order books at this point look relatively robust given the overall economic environment. So, all in all while we have had a challenging and volatile Q4 and obviously one will also see the impact of Covid during Q1, the ramp up is progressing well. It has gathered momentum in June and now

that we are in Q2, things look much better and our order books seem to see a bounce as far as Q2 is concerned and relative to the overall situation that prevail. On other updates, FY20 was also an important year for us because our calibrated capital expenditure program came to a close with the commissioning of our Greenfield Terry Towel facility during October 2019. So, with these three major projects have been commissioned over the last three years. All three on schedule and this brings a close to our calibrated capex program that we had embarked upon during FY17 and concluded during FY20. With these three projects completed, Himatsingka, operates large facilities on the spinning front, on the sheeting front and now on the terry towel front. During the year, we have also completed the restructuring of our Italian operations. This was also a challenge for us during this year and it has had an impact of approximately ₹35 crores, both in the form of exceptional items and regular items for the year. So, this is another development that I wanted to share with you all. We continue to expand market reach and depth in all our major operating markets. And while of course North America continues to be an important and most important market for us, we continue to increase our presence in Europe, the middle east and Asia pacific regions and the momentum and pipeline that we are building seems to be progressing well for us and we would likely to see more benefits coming through for all these initiatives in FY21. In addition, in order to navigate the challenges on account of Covid we have undertaken several cost optimization measures while attempting to ramp up operations at the fastest pace possible, both the cost optimization and the ramp up initiatives are progressing well and we also continue to have healthy cash reserves to meet any contingent challenges that might come our way during the ramp up process. Lastly, during the year, revenue stream from brands came in ₹2,122 crores versus ₹2,255 crores during FY19, small reduction on this front on account of the Q4 revenue fall that I had explained to you earlier. So, these are some of points that I wanted to share with you on the business update front. Some broad thoughts from my side as how we look at the outlook going forward.

So, as far as Himatsingka is concerned, Q4 was particularly more challenging than may be the overall industry. Also, driven by our specific client mix because a lot of clients who offered essential goods and services remained open during the lockdown period, while other major clients who did not have essential goods and services to offer to consumers had to remain shut and so, we were a little more heavy on the latter and therefore, our revenues were probably a little more impacted during Q4. However, from an outlook standpoint I am pleased to say that most of these retailers opened their stores commencing the end of May and through June and have achieved, I would say pretty much over 85-90% door openings during the month, I am referring to retailers vis a vis our client mix. So therefore, the first point on the outlook front is that store openings continue to be robust, they were robust during the month of June which is heartening sign in these circumstances and the second point is the result of these openings we have seen a pretty buoyant demand coming through from retailers plus we have also been tracking retail sales that they have clocking viz a viz our

products, which have also been fairly buoyant since the stores have begun to open. So that's another encouraging sign and is also explaining the robust orderbook that we see for Q2 relative to the situation. On the order book front of course while Q2 sees demand coming back as far as we are concerned, we also see a positive movement for the second half of the fiscal across product categories, both in bedding and bath fronts and we have seen retailers interact with us as they did in the ordinary course of business viz a viz launches that take place during H2 of the year. So therefore, I think all in all given the current situation we are encouraged to see not only a reasonably strong Q2, but regular conversations and demand flowing through for H2 as well. This includes a healthy ramp up for our terry division going into H2 as well that's something we are definitely seeing, so while sheeting will recover we feel that terry will continue its ramp up going into H2 FY21. So, that broadly speaking how we look at the rest of the year panning out and therefore, in essence the damage that we have seen is largely to do with Q4 and Q1 and I think of course its if anybody's guess at this point to predict other impacts that the pandemic may have, but with the knowledge and pulse of the various things that we currently enjoy while there will be challenges as we go through the year this is more specifically speaking the visibility we are getting through from our retail clients both EMEA and APAC regions as well as in North America. So, this is ladies and gentlemen, are few points that we wanted to share with you. I would like to request Mr Rangaraj to take you through the financial and then we will obviously, we are happy to take any questions that you might have.

Mr Rangaraj:

Thank you. Good Evening Ladies and Gentlemen. I will now take you through some updates on the financial performance. I will start off the update with the quarter financial performance and then give you some highlights on the consolidated financials for the year. Starting with consolidated total income for the quarter, the consolidated total income declined by 32% during the quarter and stood at ₹471.4 crores versus ₹692.74 crores in the previous Q4FY19. As already mentioned there has been an impact of approximately ₹200 crores on the consolidated total revenues given the interruptions faced due to Covid. The consolidated EBITDA for the quarter stood at ₹96.6 crores from 140.43 crores in the previous year, a decline of 31.2%. The decline in EBITDA has been largely driven by the reduction in total revenues. EBITDA margin for the quarter was 20.5% and is range bound as compared to 20.34% in the previous year. The consolidated PBT, before exceptional items, for the quarter stood at ₹4.7 crores versus ₹66.7 crores in the previous year. The exceptional item of rupees ₹58.18 crores represents inventory provision of ₹43 crores on account of change in economic environment due to outbreak of Covid, non-recurring restructuring expenses of ₹3.72 crores in our Italian business and loss of ₹11.42 crores on the hedging instrument on account of lower than expected realizations in the current quarter due to Covid. The consolidated PAT, before exceptional items, for the quarter was a loss of ₹10.66 crores versus profit of ₹48.37 crores in the previous

year. Therefore, the consolidated profit after tax for the quarter was the loss of ₹68.84 crores versus profit of ₹48.37 crores in the previous year.

I now move on to an update on the consolidated financial performance for the year. The consolidated total income stood at ₹2,419 crores for the year ended at March 2020 versus ₹2,654 crores in the previous year. This resulted in decline of 8.8%. Consolidated EBITDA for the year stood at ₹479.31 crores versus ₹579.93 crores in the previous year. The EBITDA margin was 19.8% as compared to 21.8% in the previous year. The consolidated PAT, before exceptional items, for the current year stood at ₹86.46 crores versus ₹196.84 crores in the previous year. The exceptional items of rupees ₹73.2 crores represent inventory provision of ₹43 crores on account of the economic environment as already explained, non-recurring restructuring expenses of ₹12 crores in our Italian business, loss of ₹11.4 crores on the hedging instrument on account of lower than expected realizations and impairments of investment in equity of ₹6.6 crores. Therefore, the consolidated profit after tax for the current year stood at 13.25 crores versus 196.84 crores in the previous year.

I would now give you a brief update on the debt profile. The consolidated gross debt as of 31st March 2020 stood at 2814 crores compared to ₹2,790 crores in the previous year. The total term debt stood at ₹1,782 crores and total working capital debt stood at ₹1,033 crores. The cash and cash equivalents and currency investments stood at ₹224 crores as at 31st March 2020. Consequently, the Company's net debt as of 31st March 2020 stood at ₹2,591 crores as compared to ₹2,422 crores in the previous year.

Some of debts on key leverage ratios the net debt to EBITDA was 5.40 times at the end of March as compared to 4.18 times at the end of the same period last year. The net debt to equity ratio stood at 1.9 times at the end of March 2020 versus 1.7 times in the previous year.

Capital efficiency ratios, the return of capital employed at the end of March 2020 stood at 8.9% as compared to 13.1% in the previous year. The return on equity, excluding exceptional items, stood at 6.2% at the end of March 2020 compared to 14.9% at the end of previous year. The capital efficiency ratios have been largely impacted by Covid 19 interruptions, retrospective removal of MEIS benefits during quarter Q3FY20 and restructuring of the Italian operations. With this I would like to complete my update. We will be happy to take on any questions. Thank you for your patient listening.

Modertor:

Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press star and one 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. We have first question from Nihal Jham from Edelweiss. Please go ahead sir.

- Mr Nihal Jham:** Thank you so much and good evening to the entire management. Sir I have three questions. My first question was, would it be possible for you to break up the growth in this quarter till what growth we are tracking till the end of Feb and how March turned out for us?
- Mr. Shrikant Himatsingka:** Why don't you complete your list of questions Nihal and then we will...
- Mr Nihal Jham:** Yes sir. Sir the second question was, you know, related to that only that if I see the OTEXA data for Jan to March, there is a 3% de-growth in the sheeting business from India's perspective. Whereas our manufacturing business is down more than 30% which includes a component from towels too and in the past in the last four-five years of tracking the business there has rarely been such a discrepancy despite as you said that the difference in our custom group profile so just if you could highlight a little more on that. I will ask the third question after this, it is not related to this line.
- Mr. Shrikant Himatsingka:** Yeah, so as far as this is concerned, I mean I don't know how much of the correlation to OTEXA at this point will help because this is a client and company specific matter for the Q and while we don't have the numbers broken up by month and Jan-Feb and March we will be happy to take that offline for you, but as far as Himatsingka is concerned the extent of the impact was close to approximately ₹200 crores of shipments that were put on hold on account of Covid that's what we saw on holding for us. And as I said a large part of that is also driven by the fact that a lot of our clients did not provide essential goods and services and sort of locked down themselves and therefore, the hold came through as far as we are concerned. So that's the only way we see it in terms of an explanation.
- Mr Nihal Jham:** But even it's, you know, the getting exclusive Walmart which does serve essentials most of them had a lockdown across all cities starting March 15th, right? So, 75-80 days for the quarter would have been normal or is it that at the start of March....
- Mr. Shrikant Himatsingka:** No, so it's not a linear quarter at least start for us. A lot of shipments happen in the second half of March which are seasonal in nature for us and specific to our client mix and therefore, that lump sum sort of second half of March shipments were those that were impacted in our case. So, unfortunately that's what happened for us and now we have to make that up.
- Mr Nihal Jham:** Fair enough. The other question was you mentioned that ₹200 crores of shipments have got stuck because of the deferment, if I look at your inventory, it is actually fallen for the year and even if I approximately compare to what it was last quarter growth from September, so is it that we have seen such a big reduction in inventory or if you could just help me understand that better.
- Mr. Shrikant Himatsingka:** I am not sure if I got your question Nihal.
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- Mr Nihal Jham:** Yeah. I am sorry. What I was trying to say is that if 200 crores of shipment have actually been locked up ideally our inventory should have been increased by commensurate figure, but I see that the inventory has actually fallen compared to last year, so is there been a strong liquidation or reduction in normal inventory from our side?
- Mr. Shrikant Himatsingka:** So, if you look at our inventories, it is corrected from ₹1,175 crores last year to ₹1,087 crores this year at the end of March 2020. We have consistently maintained with all our stakeholders that we are not satisfied with the quantum of inventory we are holding and we are working on improving our working capital cycles, which include reduction of inventories. Now having said that we were clocking consistent reductions in inventory Q on Q up until Q3, but during Q4 we have seen over close to ₹100 crore increase in inventories during Q4 on account of the sales congestion. Therefore, if you, look at it from that standpoint and in addition to the foreign exchange translation impact that we have had YOY 31 March last year to this year there has been an approximately ₹60 crore impact on inventory translation on account of the rupee depreciation. And therefore, all in all we would have actually landed up reducing our inventory by another ₹160 crores had it not been for these two impacts.
- Mr Nihal Jham:** That's helpful sir. Just on the debt side I wanted to check have we availed the moratorium and what are the repayments that we have followed in FY21?
- Mr. Shrikant Himatsingka:** We have availed the moratorium because given the uncertainties at the time the lockdown was imposed and given the fact that all revenues were shut down on account of the lockdown we thought it is prudent to avail of the moratorium and so we went ahead and availed moratorium, which at this point is effective through the end of August. So, we availed of the moratorium wherever we could and now at this point we have approximately ₹155 crores of debt that's to be repaid at this point for the rest of the year and we are comfortable in meeting all these obligations. We see a brief robust ramp up at this point, I have given the current visibility and we have reasonably healthy cash reserve, so we don't see any challenges on that front.
- Mr Nihal Jham:** The last question from my side, as you mentioned cost optimization level can you just elaborate which aspects and approximately how much you think you will be able to take the costing down please?
- Mr. Shrikant Himatsingka:** Well I won't like to comment on the quantum at this point, but I would say it's a substantial component of cost that we have worked to realign and organize ourselves to be leaner even pre-Covid we were clocking fairly robust operating margins for a substantial part over the last five years, so only the last couple of quarters that have been impacted, but we still took on the challenge of trying to revisit and reinvent the ways of working. In some cases, it will show up an incremental benefits and in some cases more

substantial benefits depending on the cost bucket where I think overall it should contribute, substantially to our efforts to recoup our operating performance going forward.

- Mr Nihal Jham:** Thank you so much. I will come back in the queue.
- Mr. Shrikant Himatsingka:** Sure.
- Moderator:** Thank you sir. We have next question from Chirag Lodaya from Value quest. Please go ahead.
- Mr Chirag Lodaya:** Yeah. Sir I just wanted to know what is your gross debt currently?
- Mr. Shrikant Himatsingka:** ₹2814 crores.
- Mr Chirag Lodaya:** And cash, subsequent cash is 226 crores, right?
- Mr. Shrikant Himatsingka:** As of March, it was ₹224 crores.
- Mr Chirag Lodaya:** Right.
- Mr. Shrikant Himatsingka:** It's a little higher now.
- Mr Chirag Lodaya:** Okay and sir in terms of our capacity utilization what would be across the segment?
- Mr. Shrikant Himatsingka:** Unfortunately we don't specify utilization levels that we clock by segment, but obviously it's safe to assume that during Q1 the utilization levels were very low, but of our three major plants sheeting and terry and spinning plants, going forward obviously spinning will go back to full utilization. Terry just got commissioned in October 2019, we barely had five full months of operations of the plant before the Covid hit, but order pipeline and work in progress initiatives looked fairly robust, so I think terry should ramp up well and as far as going forward is concerned more specifically during H2 and sheeting should recuperate lost ground and hinge back to pre-COVID levels.
- Mr Chirag Lodaya:** Okay, okay and lastly what could be the impact of lower cotton prices and forex volatility on our numbers margin for first half at least?
- Mr. Shrikant Himatsingka:** Sir we will have to take that offline because that's a complex number to just sort of come up with its very interlinked with product mix and all of that, so that's something that we won't be able to have certain just like that, but there have been no specific movements that have taken place more recently which will cause our raw material prices to materially change from what they were pre-Covid levels. Cotton had settled down pre-Covid levels and now of course they have reduced a little so may be there could be some benefit on that front, but we will have to ascertain that viz a viz our product mix and pricing and so on, so we will have to take that offline.

- Mr Chirag Lodaya:** Okay sir, there will be no inventory losses on account of lower cotton prices that's what you are trying to say?
- Mr. Shrikant Himatsingka:** There won't be any inventory losses on account of cotton.
- Mr Chirag Lodaya:** Okay. That's it for me.
- Mr. Shrikant Himatsingka:** Yeah.
- Moderator:** Thank you sir. We have next question from Mr Vikas Jain from Equirus. Please go ahead.
- Mr Vikas Jain:** Yeah, good afternoon sir. Thanks for the opportunity. My first question is about the inventory, you talked about the ₹200 crore loss sales because of the shipment hold, so are these now been shipped to our customers or they are still sitting among inventories at this point of time.
- Mr. Shrikant Himatsingka:** No Vikas the hold on shipments and the provision on inventory are mutually exclusive phenomena. The hold on shipments are also on account of clients asking us to hold shipments given the situation, but because Covid hit the global markets we did a technical evaluation of the net realizable value of our inventories and on account of Covid deemed it fit to take the hit. Therefore, they are not interconnected events. The hold on shipment and the provision on inventories are not interconnected.
- Mr Vikas Jain:** Right sir.
- Mr. Shrikant Himatsingka:** Only the connection between the two are both are on account of covid, that's the only similarity in them.
- Mr Vikas Jain:** Correct. Sir so please correct me if I am wrong in my understanding that whatever the orders that had been placed we could not ship those orders because of the lockdown period, right? So, what I am trying to ask is are these new shipments that were previously ordered are now being has reached the customers or probably have we booked the sales on those inventories? That's what I am asking.
- Mr. Shrikant Himatsingka:** Yeah so the inventories that were held back and could not be shipped have begun shipments partially in May, the same has ramped up further in June and as I said in Q2, the order books looking good, so the momentum will come back in Q2 relative to the situation.
- Mr Vikas Jain:** Right. So, my second question is on the European operations since as now, is it the restructuring complete by end of FY20 or anything is left now on that front?
- Mr. Shrikant Himatsingka:** Yeah, I would say it's substantially complete if not entirely and some of the inventory hits that we have taken during the quarter include inventories

that were part of our European operations, that something that we evaluated as well and so I would say the Italian operational restructuring piece is pretty much over.

Mr Vikas Jain:

Correct and sir,

Mr. Shrikant Himatsingka:

Also, to share with you, if you look at FY19 on a turnover of ₹2,654 crores we had clocked an EBITDA of ₹580 crores, which was up from ₹466 crores in FY18. Now, the momentum which was actually scheduled to continue during FY20 is obviously not the case. And the reasons for this have been a) we have had a restructuring going on during the year for Italian operations. b) We have had the Covid interruption that led to what you saw in Q4. c) We have had policy flip-flops during the year, and that's not on Himatsingka's centric phenomenon, it's an industry centric phenomenon where he has been impacted with the impact of the reversal of MEIS. So, that's the third piece. And I think of course, the couple of other smaller pieces to the puzzle, but largely speaking these three issues have affected our operating performance. Now having completed our calibrated capex program that I outlined in my update, any capex going forward is largely de-bottlenecking or maintenance capex, , some ground filed movements here and there, nothing substantial going forward and so two things will begin, the deleveraging of our balance sheet will begin once the ramp up is in progress and our capacity utilizations will sweat better now that we are through our main capex phase. So, that's what we are really looking forward to and therefore, surpass FY19 numbers in due course obviously, I mean we have a long way to go in terms of what we can achieve with these assets and therefore, we will now be focused in achieving those numbers. So, I think the second half of this year, we will be focused really on an annualized basis trying to clock superior operating performance numbers viz a viz FY19.

Mr Vikas Jain:

And sir just last question from my side. When you said that the order book has now been healthier every month, can you just state really ballpark range as to what are the ordering behavior of the customers versus the pre-Covid levels as had reached 40-50%, 60%, any idea on that front?

Mr. Shrikant Himatsingka:

So, as I said, related to the current circumstances, we see our Q2 order books to be pretty robust and I would define that as upwards of 75% of pre-Covid levels if not better.

Mr Vikas Jain:

Correct, correct. And sir one last book keeping question. Sir what was the capex that we incurred for FY20?

Mr. Shrikant Himatsingka:

We will get back to you with the specific number of that regards.

Mr Vikas Jain:

Sure sir, sure, sure. Thank you, sir. Thank you.

- Moderator:** Thank you sir. Ladies and gentlemen, if you have a question please press star and one on your telephone keypad. We have next question from Deepak Poddar from Sapphire Capital. Please go ahead.
- Mr Deepak Poddar:** Hello,
- Moderator:** Go ahead with your question, sir.
- Mr Deepak Poddar:** Yeah, thank you very much sir for the opportunity. I just wanted to understand like you expect from second quarter onwards your operational performance or your operation to be at near normalized situation, right? Is that right thing to understand?
- Mr. Shrikant Himatsingka:** Yeah, I mean, the nuance here is how do you define near normalized and as I was answering Vikas earlier, he was asking the same question of how we define that viz a viz pre-Covid level, so I would say that, at this point, upwards of 75% of pre-Covid is what I would look at and we will try to better at number definitely is what we are looking at and then going into H2 we hope to continue to improve on that front.
- Mr Deepak Poddar:** Fair enough, fair enough. And as you mentioned earlier that this year your operating performance of the margin specifically has been impacted by two-three things in terms of Italian restructuring or MEIS removal or the Covid impact, so how do you, so any comment on your operating performance or operating margins going forward will be helpful here.
- Mr. Shrikant Himatsingka:** No, as I said, Deepak we were supposed to continue to improve on FY19 performance. We were supposed to continue our improvement viz a viz FY19 performance during FY20, but that didn't happen for the reasons that I just outlined mainly because of our Q4 interruptions, the Italian restructuring and of course the policy issues that we faced during the year. We also had some headwinds on product mix and some demand on the sheeting front, which were more short term in nature, but we are likely to resume that same momentum going forward because, all our assets are in place, our calibrated capex is over, Himatsingka operates the world's largest spin plant under one roof probably amongst the four largest terry plants and same for sheeting as well as, the most robust brand portfolio in the home textile space and so we will go back to being focused on sweating our assets and churning out the maximum EBITDA as we can from this, which is substantially higher than what we clocked in FY19, so the room for EBITDA generation is substantially higher than obviously what we clocked in FY19 because FY19 did not include terry numbers and things like that, so we have more sweating to do on the sheeting plant, we have the entire terry plant to sweat and we have, to continue our growth on the brands front and all these various things in tandem along with the fact that we have largely finished the restructuring of our Italian division because I have outlined to investors even earlier during the year that we are getting headwinds from both our Italian operations and also our niche Drapery and Upholstery operations which is the legacy business of the group. It's a

very small division, but has not been faring well over the last couple of years and has been clocking operating losses which we are trying to reverse. So, both the divisions have weighed also heavily on our operating performance, one which we have completed restructuring of and the other that is, something which we are grappling. So basically all these things, sweating of our sheeting utilization, , taking our terry plant to the next phase of ramp up, sweating our brand assets having finished our Italian restructuring, trying to focus on our Drapery and Upholstery division to sort of turn around. All these things in tandem along with the fact that we have completed our capex and we will hopefully begin deleveraging our balance sheet going forward, all these initiatives together should provide us reasonable amount of operating strength.

Mr Deepak Poddar: Yeah, I understood. So basically what you are saying is that in the second half, maybe if we exclude the second quarter we are looking at a superior performance as compared to what we did in FY19, right?

Mr. Shrikant Himatsingka: On an annualized basis this is what we are hoping for, but obviously we have to remember its Covid time, so are there things that are unseen and unpredictable? Yes, there are, but this is at this point of course I will keep stakeholders posted with the material movements viz a viz what we are currently seeing.

Mr Deepak Poddar: Fair enough, fair enough and my final query is on the revenue front. Now given you have a strong order book in your hand and a good visibility from second quarter and onwards, so at least are you trying to maintain at least what we did in last year FY20 in terms of revenue or is there any potential for any growth, so any comment on that would also help.

Mr. Shrikant Himatsingka: Is there any potential for any growth on what, sorry?

Mr Deepak Poddar: On the revenue, yeah during the current situation.

Mr. Shrikant Himatsingka: Viz a viz revenues?

Mr Deepak Poddar: Yeah.

Mr. Shrikant Himatsingka: Well I think, corrected for Q1 on an annualized basis we should be clocking a healthier rate going forward. So, if I remove the Q1 equation from FY21 and I look at , specifically H2 more importantly and I annualize that the annualized run rates should signal growth, but obviously because Q1 will be depressed on account of the lockdown, the ramp up has begun now, but we have lost Q1, , it remains to see how much of FY20 revenues one can cover, but I think we will come pretty close to it. And, so while we will come pretty close to, being in the ballpark of FY20, we will also see annualized rates surpass FY19 going into H2 is what we currently feel. This is not a guidance, but this is something we wanted to share given the situation because we need to share the pulse we are getting in these times.

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- Moderator:** Ladies and gentlemen, if you have a question please press star and one on your telephone keypad. We have next question from Resham Jain from DSP Mutual Funds. Please go ahead.
- Mr Resham Jain:** Yeah. Good evening sir.
- Mr. Shrikant Himatsingka:** Good evening.
- Mr Resham Jain:** Yeah, so my first question is related to the mix which you highlighted that the mix of customer which impacted Himatsingka versus overall industry, going forward in the last three months has there been any change in this mix given some of the departmental stores have just opened up and while the grocery retailers continue to show good traction actually, so has there been any client win on that side and any change in your customer which especially in second half? Or is it for a shorter period?
- Mr. Shrikant Himatsingka:** It's a good question Resham. We are, so let me comment. The only casualty of the Covid, pandemic as far as the US retail environment is concerned and to the best of our knowledge, it has been J C Penney. Himatsingka has no exposure whatsoever to J C Penney, point number 1. Point number 2, as far as our core clients are concerned while most of them did not have essential services other than in one case and they remained shut during the lockdown, they have all reopened their stores, I would say most of them have opened over 90% of their stores and they are seeing robust demand come through. None of our clients are facing any specific issues, which worry us at this point. Yes, there are challenges that they are facing, but the underlying strength that they enjoy, , at this point doesn't seem to worry us and/or other stakeholders at this point, , in terms of any existing solutions. So therefore, our core clients have reopened and business is picking up very fast from what we understand in pick up and the order books, seem to be filling up well. The third point is any changes in client mix that we see and we definitely see that because with the ramp up in terry, it will add strength I should say to our overall client mix, geography mix and product mix. So, terry will bring in new clients which were not otherwise as active on the sheeting front that exercise has already kicked in and already started and we have already onboarded these clients, so as terry ramps up we will onboard the several new clients. We are also seeing a much broader geography mix when it comes to the terry business viz a viz our bedding business, so that's also something that we look at as a positive. And obviously, terry will also bring in category derisking because of the number of products that we are bringing to the client viz a viz we did earlier in the home textile solution space. So, I think all in all with client, geography and product diversification it should add greater strength to Himatsingka's revenue portfolio.
- Mr Resham Jain:** Okay, thank you.
- Mr. Shrikant Himatsingka:** I should replace the word hope it will, it will deliver that for us.
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- Mr Resham Jain:** Okay. And sir my second question is with respect to the towels division where you have highlighted a significant improvement in terms of utilizations as well as the overall trajectory is looking much better, so whatever let's say the target profitability in terms of margins you might have assumed, do you feel that by quarter 4 or so at some level of utilization you will be able to reach 60, 70, 80% whatever number of the targeted margin or is it too early?
- Mr. Shrikant Himatsingka:** No, it's not too early and it's something we are absolutely looking at Resham. That's what we are gunning for, superior utilizations and achieving in ballpark margins of what we had aimed for, also seeing sheeting hopefully adding some revenue streams back and all in all therefore, both these engines performing much better going forward is what we are gunning for.
- Mr Resham Jain:** Yeah. Oaky, okay. And mostly in the industry everyone is talking about this rupee depreciation by almost 7-8% and cotton coming down by almost 15 odd percent roughly and both are in a way positive, so second half should we expect likely better margins than what we usually do? Obviously, the current situation we don't have the topline how it will move, but should one expect margins to be healthier than what we have seen in last year second half?
- Mr. Shrikant Himatsingka:** I would say the numbers that you associated with both these phenomena, which is rupee depreciation and relaxation on the raw material front would we see those numbers translate into our margins, that's again I would say a little aggressive, because it depends on the product mix, it depends on the type of cotton and various other factors. As far as our forex is concerned, , we are approximately 80% hedged going forward, which is also one of the reasons why we had this exceptional loss on the hedge front. But I would say that our operating margin should not deteriorate from what they were earlier in a normalized scenario and the probabilities of bettering it are reasonable.
- Mr Resham Jain:** Okay. Understood. And my last question is should one expect FY21 debt to be at least 5 to 10% lower than what we had in FY20.
- Mr. Shrikant Himatsingka:** This is what we are gunning for also that's what we thought we should be scheduled to deliver subject to fluctuations in forex and things like that, but an ordinary cost will be scheduled to deliver that, yes and we will be just like we have, let's just say been obsessed with delivering our projects on schedule and commissioning these large Capexes on schedule. We will now chase deleveraging as a theme going forward and so that something that is of high priority to us.
- Mr Resham Jain:** Okay. Sir, just one accounting related question may be Mr Rangaraj may help on this. So, capital working progress is 172 crores, this is related to

towels plant or is it partially commissioned or something like that or is it related to utility or infra?

Mr. Shrikant Himatsingka: It has been largely related to common campus assets and there are some parts of the towel plant that are still work in progress, smaller parts. The plant as of whole is commissioned, but there are some portions of it that still work in progress, which we decided to add to, as the project was nearing completion. So, it's a combination of both, which will...

Mr Resham Jain: And there is one...

Mr. Shrikant Himatsingka: ...which will see reduction during this year.

Mr Resham Jain: Okay. Okay. And there is one more asset held for sale of 77 crore...

Mr. Shrikant Himatsingka: Yeah, it is asset held for sale is essentially a real estate in Italy, where because as a result of the closure of the operation, of course the timing is not right at this point and while we test all these assets for impairment as is required under the standards it has been classified as for sale because they have no operational use at this point.

Mr Resham Jain: So, you intend to basically divest at some point of time at appropriate time, is that the right way to look at it?

Mr. Shrikant Himatsingka: Yes, right.

Mr Resham Jain: Okay. Thank you.

Mr. Shrikant Himatsingka: These are real estate assets that the group owns outside the city of Milan where we were headquartered for our Bellora operations and so since the operations have come to a close as I indicated earlier, these real estate assets are held for sale.

Mr Resham Jain: Okay. Right sir, thank you very much and all the best. Thank you.

Mr. Shrikant Himatsingka: Thank you, Resham.

Moderator: Thank you, sir. We have next question from Riddhima Chandak from Roha Asset Managers. Please go ahead.

Mr. Shrikant Himatsingka: Yes, please.

Riddhima Chandak: Hello. Thank you for the opportunity, sir.

Mr. Shrikant Himatsingka: Sure.

- Riddhima Chandak:** Yeah, sir. First, 3-4 questions from my side, sir. I just want a breakup and the revenue of licenses business, of licensed brand and own brand. What is the breakup as of now?
- Mr. Shrikant Himatsingka:** Riddhima, we don't share those details vis-à-vis breakup of licensed and own brands. But it would be safe to assume that a substantial portion of a business comes from licensed brands as well, so I would say, upwards of 50% of the total brand business comes from licensed and then the other from some of our own, including our ingredient branding business.
- Riddhima Chandak:** Okay, okay. And so, as recently we launched a new brand called Himêya, so sir, I remember, that is on the online platform, so overall, how much revenue contribution as of now from the online portal?
- Mr. Shrikant Himatsingka:** Actually it is a good question. So, it is not just Himêya that is online, it's lot of our brands that are online including Calvin Klein, including Tommy Hilfiger portfolio, including Kate Spade, Himêya and a bunch of other brands, and all in all, it has been an interesting, upward sort of momentum that we have seen on the Ecommerce platform, of course pace is very small at this point, so it is not something that, in absolute numbers large, but we have seen over 100% growth rates being clocked on the Ecom front. We had taken initiative last year as well to be able to focus on this channel and that focus continues. So, I think, going into FY21, this whole channel will continue to grow at robust rates.
- Riddhima Chandak:** Okay, okay. And can you give us the breakup between our segmental, like towels and sheeting and drapery and upholstery?
- Mr. Shrikant Himatsingka:** I am afraid, I can't, we don't share breakups, Riddhima, but you should look at it as home textile solutions. Until last year, did not include bath but now it does include bath. As I spoke with someone earlier on one of the questions, the terry towel facility was commissioned only in the month of October. So, it has barely been five months since we have operated the plants, so the overall revenues from towels is not very significant at this point and it is largely driven by bedding. But bath will continue to rise as the component of total revenue is going forward.
- Riddhima Chandak:** Okay, okay. And like our, we have B2C channel also. Yeah.
- Mr. Shrikant Himatsingka:** Riddhima, I will make it easier for you. The margin profile that we see in both bedding and bath are largely similar.
- Riddhima Chandak:** Okay.
- Mr. Shrikant Himatsingka:** Given a couple of hundred basis points, the EBITDA margin profiles on stable state running, largely stable state running are very similar in these two businesses, is what we see at this point.

- Riddhima Chandak:** Okay, okay. And I don't know, is it a new brand or not, the brand called Atmosphere which have almost, which has almost 5 stores in India, and one is in Dubai, am I correct? That is B2C platform. So...
- Mr. Shrikant Himatsingka:** Yeah. As far as Atmosphere and brands like these are concerned, these are very niche, luxury brands, Riddhima, they are not material in our overall scheme of things. And so, they wouldn't be swinging numbers in any material, form and shape.
- Riddhima Chandak:** Okay, okay. So, we are not looking for any further expansion of stores in these brands, as of now.
- Mr. Shrikant Himatsingka:** No, the company, in fact, has shut some of the stores, we are averse to operating shops, we will be taking other channels to market our products, but we will not be opening stores in any geography, as we see things. That's not how, we don't feel that's a viable model for our kind of product and therefore, the channels through which we will reach the consumer will not include exclusive brand outlets as we see it, going forward.
- Riddhima Chandak:** Okay.
- Mr. Shrikant Himatsingka:** It might be peppered here and there, but there is nothing of consequence.
- Riddhima Chandak:** Okay. My next question is more of industry perspective. As we are majorly, a major revenue is coming from the North America, so in the last five years, what is the CAGR across our product categories and which we are, like sheeting, drapery, upholstery and terry towels. What is the CAGR, in the North America?
- Mr. Shrikant Himatsingka:** What is the CAGR for Himatsingka, or what is the CAGR for the market?
- Riddhima Chandak:** Sir, for the market and for the Himatsingka, so it is, yeah...
- Mr. Shrikant Himatsingka:** Largely, range-bound, Riddhima, they haven't seen a lot of movement, plus minus a percent or two here and there. So, the total market size vis-à-vis imports have remained range-bound and Himatsingka has grown its revenue streams from approximately ₹1,900 crores to what it is today. So I would say about 80% has been channeled to that market and the rest to the rest of the world. But going forward, while North America will continue to remain an anchor market for us, as is the case for the industry at large, but Europe and APAC regions will also play a material role in terms of their revenue shares as far as we are concerned.
- Riddhima Chandak:** Yeah, so is it fair to assume that total home textile CAGR was 3-4 % approximately there, as industry perspective?
- Mr. Shrikant Himatsingka:** No, I think that is very aggressive, it should be lower than that.

- Riddhima Chandak:** Okay, okay. And it is not right time to predict but still, how much we are looking in terms of growth in the, from the longer term perspective? How much you are looking for growth in the next 2-3 years?
- Mr. Shrikant Himatsingka:** Riddhima, we don't give growth guidances, as a company. And over the last 4 years, I would say, FY15 to FY19, I am removing FY20 from my example because of the interruption we saw in Covid, but we have roughly grown from about ₹1,960 crores to ₹2,600 crores. That's the CAGR that we have, that's the growth that we have clocked during this time and the CAGR some things it could work out. And, but what's really happened is, while our revenue growth has been muted during this time, our EBITDAs have grown from ₹196 crores to ₹580 crores during the same period because of all the new assets and projects that we have commissioned and put on stream. So that gives you an idea both for revenue and the EBITDA CAGR that the group has clocked over the last 4 years. To FY20 of course, being an exception because of the interruptions.
- Riddhima Chandak:** Yeah. Sir, our total branded portfolio revenue contribution approx. 85-90%, am I correct?
- Mr. Shrikant Himatsingka:** Yeah, approximately 85%, yeah.
- Riddhima Chandak:** Okay, okay. And what was the Capex, sir, during FY20?
- Mr. Shrikant Himatsingka:** I said, we will get back to you. We will have to check that number for FY20.
- Riddhima Chandak:** Okay.
- Mr. Shrikant Himatsingka:** Specific, please take that offline from us. Thank you.
- Riddhima Chandak:** Yeah, thank you so much, sir. Thank you for answering my questions, sir.
- Moderator:** Thank you ma'am. Ladies and gentlemen, due to time constraint, we will be taking the last question for the day. We have a question from Mr. Sunil Jain from Nirmal Bang Securities. Please go ahead.
- Mr. Sunil Jain:** Yeah, good evening, sir.
- Mr. Shrikant Himatsingka:** Good evening.
- Mr. Sunil Jain:** Sir, my question relates to more of a, is the company planning for any equity dilution or promoter is looking to increase holding in the company?
- Mr. Shrikant Himatsingka:** No, nothing specific at this point, Sunil.
- Mr. Sunil Jain:** Okay, fine. Nothing means no thought out, not thought on that.

- Mr. Shrikant Himatsingka:** We constantly evaluate options, these are things that one constantly reviews. But nothing specific to share at this point.
- Mr. Sunil Jain:** Okay, great. Thank you.
- Moderator:** Thank you, sir. That would be the last question for the day. Now I hand over the floor to the management team for closing comments. Over to you, sir.
- Mr. Shrikant Himatsingka:** So We thank you everyone for taking the time. I hope we have answered most of your questions. If there is anything that remains unanswered, as always, please do reach out to us. I am sure there could be nuances and detail that you would like greater light shed on, so do reach out and we will be happy to answer to the best of our ability. Thank you again, bye.
- Moderator:** Thank you, Sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant evening.
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