



REF: HSL/SEC/2022/26

June 07, 2022

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
---	--

Dear Sir/ Madam,

Sub: Transcripts of conference call.

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

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, we attach herewith a copy of transcripts of conference call held on May 31, 2022.

Please also note that the transcripts of conference call will also be available on our website <https://api.himatsingka.com/wp-content/uploads/2022/06/HSL-Q4-FY22-Earnings-Call-Transcript.pdf>

This is for your information & records.

Thanking you,

Yours faithfully,
For Himatsingka Seide Limited

Sridhar Muthukrishnan
Company Secretary

Encl: as above

Himatsingka Seide Limited
Registered Office: 10/24 Kumara Krupa Road
High Grounds, Bangalore 560 001, India
T +91 80 2237 8000, F +91 80 4147 9384
E hslblr@himatsingka.com
CIN L17112KA1985PLC006647
www.himatsingka.com

Q4 FY22 Earnings Conference Call

May 31, 2022

Moderator:

Ladies and gentlemen, good day, and welcome to the Himatsingka Seide Q4 FY22 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 touchstone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Roshan Nair from Batlivala & Karani Securities India Private Limited. Thank you, and over to you, sir.

Roshan Nair:

Thank you, Peter. Good evening, everyone. On behalf of B&K Securities, I would like to welcome you all for 4Q FY22 post results conference call of Himatsingka Seide Limited. Today we have with us from the senior management of the company, including Mr. Shrikant Himatsingka, Managing Director and CEO; Mr. KP Rangaraj, President, Finance and Group CFO; Mr. Dilip Panjwani, Executive Vice President and CFO, Strategic Finance; and Mr. Sachin Garg, Senior Vice President, Strategic Finance.

I would now like to hand over the call to Mr. KP Rangaraj for initial comments. Thank you, and over to you, sir.

KP Rangaraj:

Thank you, Roshan. Good afternoon, ladies and gentlemen. On behalf of Himatsingka Seide Limited we would like to warmly welcome you to this Q4 FY22 earnings call. I'll, like in the past, I'll take you through a business update and followed by a brief update on the financial performance. I'll start off recall with the business update now. The FY22 registered a stable operating performance despite high inflationary and supply chain challenges. During the fiscal, total revenues grew by 41% and stood at ₹3,203 crores, our highest ever. Revenues from brands during FY22 stood at ₹2,260 crores compared to ₹1,798 crores in the previous year.

During the quarter, revenue streams from brands stood at ₹548 crores versus ₹565 crores during the previous year and ₹556 crores during the Q3 FY22, that is a previous quarter. During Q4 FY22, capacity utilizations remained stable across the plants. The capacity utilization level for our manufacturing facilities during the quarter stood as follows. Terry towel division stood at 72%, in line with the previous quarter 72%, sheeting division capacity utilization stood at 79% versus 81% in the previous quarter, and spinning division recorded 101% capacity utilization as against 101.5% in the previous quarter. We however see reduction in capacity utilization levels in the near-

term on account of the unprecedented levels of inflation and supply chain challenges that have impacted global demand for our class of products.

Inflation of the raw material, energy and supply chain front have had an adverse impact on the operating profitability of FY22. This impact has heightened during the second half of FY22. And while we have partially mitigated this impact with year-on-year volume growth and price increases, the unprecedented levels of inflation have not been fully absorbed yet. Although we expect inflationary headwinds to continue in the near-term, our outlook on our industry and our integrated business model continues to be optimistic. Considering the current demand and inflationary environment, we have deferred the organic capital expenditure to debottleneck the Sheeting and the Terry Towel plants for an additional six months.

I now move on to the financial performance section on the consolidated performance. Consolidated total income for the year stood at ₹3,203 crores versus ₹2,272 crores in the previous year, which represents a 41% Y-o-Y growth. Consolidated EBITDA for the year was ₹550 crores versus ₹302 crores in the previous year. The EBITDA margin for the year stood at 17.2%. Consolidated EBIT for the year stood at ₹391 crores versus ₹151 crores in the previous year, and which translates to an increase of 160%. Consolidated PBT for the year stood at ₹210 crores versus loss of ₹26 crores in the previous year. Consequently, consolidated PAT for the fiscal year was ₹141 crores versus a loss of ₹54 crores in the previous year.

Now, move on to the consolidated financial performance for the quarter. During the quarter, the consolidated total income stood at ₹775 crore versus ₹748 crores in the previous year, which translates to a 3.6% Y-o-Y. Consolidated EBITDA for the quarter was ₹110.46 crores versus ₹130 crores in the previous year. The EBITDA margin for the quarter stood at 14.3%. Consolidated EBIT for the quarter stood at ₹70.5 crores versus ₹92 crores in the previous year. And the consolidated PBT for the quarter stood at ₹20.5 crores versus ₹53 crores in the previous year. The consolidated PAT for the quarter came at ₹8 crores versus ₹37.57 crores in the previous year.

Now, move on to the debt profile. The consolidated gross debt as of March 31, FY22 stood at ₹2,805 crores compared to ₹2,675 crores at the end of the previous quarter. The total term debt stood at ₹1,759 crores and the working capital debt stood at ₹1,046 crores. The cash and cash equivalents at the end of March FY22 was ₹176 crores. Consequently, the company's net debt outstanding as of March 31st stood at ₹2,629 crores compared to ₹2,512 crores as of December 31, FY21.

This completes the short update on the business and the financial performance. I now hand over to our Managing Director and CEO, Mr. Shrikant Himatsingka for your Q&A please.

Moderator: Thank you. We will now begin the question-and-answer session. Our first question is from the line of Anuj Sharma from M3 Investment. Please go ahead.

Anuj Sharma: Yes. Thank you for this opportunity. I had three questions. The first is, if we compare the current scenario with the one in 2008-2009, wherein we had just come out of a CAPEX cycle, what are the similarities or differences between the two scenarios? I mean, it took us four years in 2008-09 to come out of that. So, just help us understand what are the differences between then and now?

Shrikant Himatsingka: Why don't you complete your other questions Anuj and then I'll answer all.

Anuj Sharma: Yes, okay. The second one is, if we look at our debt, despite our intention to reduce it and that too with the modest amount, we've actually seen increase in debt. So, what have been the key challenges? And I heard you deferring one of the CAPEX. So what are the other strategies you are pursuing to reduce the debt more aggressively? And the third is given the slow ramp up in capacity utilization, do you think in high insight, we could have been more staggered in our CAPEX or this you think was the best optimal strategy? Thanks.

Shrikant Himatsingka: Okay. So, let me just answer all your three questions. So, as far as, I'll take your question on capacity utilization first. So, Anuj, these plants are configured in a particular way wherein when you set them up, you sort of have a certain quantum of capacity that has to be on boarded and put on stream. One can stagger it beyond the point because it affects other aspects of plant functioning and economics.

So, to the best of our knowledge, our planned configurations are something that we are satisfied with. And we do not think that we could have staggered it any further. We took up our CAPEX program on a calibrated basis over a period of close to three and a half years. That's how we had staggered the outflow. But data plans are well configured and we do not think that we could have staggered it any further. Having said that, it's also important for us to keep some upside capacity. Our sheeting plant at about 80% at this point. So we would like to have that 20% upside to address market fluctuations and upsides as and when they present themselves.

And as far as terry towel is concerned, I must remind you that this is a plant that was commissioned about a few months before the first

lockdown of COVID. And we have probably ramped it up to 72% in one of the fastest ramping up periods that this industry has seen as far as ramping up Greenfield plants is concerned. So we are actually happy that we have got it up to 72% and the remaining is something we'd like to sweat at the earliest. There's no doubt about it. But we are happy about the fact that we've got it to 72%. So if I see our utilizations, there's nothing that's left in spinning. We have about 20% at this point on Sheeting and 20-plus percent on Terry.

As Ranga mentioned earlier, we have deferred our organic CAPEX programs for further capacity expansions by an additional six months, because we want to wait and watch on how the global conditions and commodity prices unfold in the near future. On a medium to long term basis, our outlook on both the industry and our model remain strong and robust. But we do see some near term challenges because you will appreciate the fact that there are unprecedented levels of inflation being witnessed across raw material prices, energy costs in the form of coal in this case and supply chain and other disruptions. So that's as far as your capacity utilization question goes.

And the second point that you made was on the deleveraging piece. So, on the de-levering piece, you are right. While our intent is to continue to deleverage, because our CAPEX has now come to a close our three-and-a-half-year program. And we are done with the bulky part of our CAPEX. So we should have technically started our deleveraging exercise. But unfortunately this year seen us increase some of our debt, which was driven by the working capital congestion that we were witnessing on several fronts.

The two major fronts were, of course, the spike in inventory that we saw on account of the inflation and general situation that prevailed. And the other was emanating from the fact that there was a delay from the Government of India to ensure the reimbursements under the ROSCTL scheme, which had some of that being built up and accrued, but not encashed. Subsequently, the industry had to take a hit on the realizable value of these scripts and so on. And as far as Himatsingka is concerned, we have been, let's just say, slow on offloading these scripts given the current values. We have been cautious on that front. It was a combination of these factors that saw us increase our debt a little instead of deleveraging it.

So, therefore, we are now focused on two things. We are focused on rationalizing our working capital congestion that's sort of built up during this time to accelerate deleveraging, other than ordinary course, repayments that were scheduled to do. That's my thoughts on debt.

The third question was, you requested me to draw a parallel between eight, nine and today. It's an interesting point that you make. Unfortunately, I don't see much of a similarity between the two phases. I don't see those kind of timeframes that you spoke about and things of that nature being relevant to what we are facing today.

If you see our , FY21 H2 performance and our FY22 H1 performance, once again, subtracting the inflation part, we were sort of heading back to our normal levels of performance and going beyond before we were hit by hyperinflation and global volatility, which dampen the second half of FY22 in terms of operating performance. So I think while this inflation overhang and supply chain disruption overhang will last for a couple of quarters, post which our operating performance should go back to normalcy is what I feel.

Shrikant Himatsingka:

One more point, so despite all these pressures and challenges Himatsingka did manage to clock record revenues of ₹3,200 crores for the year, which we are pleased with under the conditions. I think the model is overall stable, but we will no doubt have some of this volatility hit us in the near-term.

Moderator:

Thank you. Our next question is from the line of Resham Jain with DSP Investment Managers. Please go ahead.

Resham Jain:

Hi, sir. Good afternoon. So I have two questions. So, obviously the external environment we see a lot of volatility there. But from the company's perspective, especially on the balance sheet, over the next, let's say six months, how do you see your internal measures going to help both in terms of reducing your working capital and the debt as well, because the inventory, if I look at, has increased significantly. Is it because of raw material or because of finished goods? And so internally what all you can do to bring down your working capital or is it more dependent on external environment is what I wanted to understand broadly. And secondly, on the demand side, how do you see the situation, if you can explain the slowness, is it related to specific customers of yours of specific product lines in terms of price points or any other reasons? So, just to understand what kind of demand impact which we are seeing currently. Yes, those are the two questions from my side. Thank you.

Shrikant Himatsingka:

Thanks, Resham. Let me take your second point first. You basically have two questions, one is about what we can do on the inventory, on sort of decongestion during the next six months. And the second was, my comments and views on the emanating global situation vis-a-vis our industry. So, as far as the demand outlook and volatility is concerned, it is not price point specific. We see it across the board,

point number one. We see it across the board, vis-a-vis price points we see it across the board vis-a-vis regions. Yes, there are differences in intensity, but there doesn't seem to be a pattern as far as we are concerned.

So, in every region there seem to be some players who have, let's say, a greater need for deferrals and have slower off take. And in the same region we have players who are not affected at all. But overall, we seem to see at region levels, general sort of approach of slowing a little till the inventory corrects as far as our clients are concerned. So it's not like it's price point specific. It's not like its region specific. We are seeing it across the board. And the essential driving factor per our understanding is the fact that they need to correct their inventories and this might take a few months.

Now, whether it's two months or three months or four months, it's a little difficult to predict. But as far as we are concerned, we think that this volatility will continue at least in the first half of FY23. Now, to answer your other question, what we will be specifically doing, well, it's not just the inventory piece that needs to come down. You need to get brought down to below ₹800 crores levels and now it's back up above the ₹1,000 crores level. So, we'll be focusing on bringing that down. The congestion is in WIP it's across the board in RM and WIP and in FG. So we'll be focused on that.

But in addition to that Himatsingka has been a little patient on some of the incentives in terms of rate corrections and so on. So we will probably look at accelerating that as well depending on how the market conditions unfold. So it's not just the inventory piece vision, a couple of other current assets that we would like to become lean on during this time. But we think that the couple of quarters of FY23 will see some demand volatility.

Resham Jain:

Okay. Just one more question, how much will be the total outstanding from government in incentives and everything put together, approximate number?

Shrikant Himatsingka:

We'll take that offline Resham.

Moderator:

Thank you. Our next question is from the line of Amber Nagori with JCW. Please go ahead.

Amber Nagori:

Yes. Good evening, everyone. Congratulations on your results. I would like to ask, we can see the long-term debt and short-term debt has been increased. So I would like to ask the management, how exactly are you planning to use these funds or whether you have already used it? Thank you.

Shrikant Himatsingka: Amber, thank you for your question. So, these funds have been deployed as it is evident. So they're either in the form of working capital in the ecosystem or as far as term debt concerned, it's largely gone to fixed assets. So, as I was mentioning earlier, we have finished our CAPEX cycle. We were actually clear on our deleveraging journey post completion of our CAPEX cycle, but unfortunately we were hit by the global turbulence that we witnessed during FY22 as far as inflation is concerned, and other issues are concerned, including but not limited to supply chain and other aspects of volatility that we faced. And so we basically landed up with some increase in debt during FY22.

There was also the delay that I spoke about as far as the reimbursements of export incentives were concerned and so on from the Government of India. So that also caused some spike in short-term debt. So, these are the areas that we would now be wanting to decongest going forward. And so this will help us pare down some of the increases we saw. And as far as the term debt is concerned, we'll be following our scheduled repayments as they pan out. So accelerated working capital decongestion along with scheduled repayment of debt is what we will be focused on, ideally.

Moderator: Thank you. Our next question is from the line of Pratiksha Daptari with Aequitas. Please go ahead.

Pratiksha Daptari: I just wanted to understand that you mentioned that demand volatility may continue for H1 and given the raw material inflation, how do we look at margins in near future? And one bookkeeping question, if you could just elaborate on the increase in deferred tax in this quarter.

Shrikant Himatsingka: Okay. So margins I can't be specific about it, but it's obvious that under these current circumstances of commodity prices and some fluctuation that we will see on demand, margins will be under pressure. The question on deferred tax, is something we'll be happy to take offline and take you through detail, so that you're clear on that front. Do get in touch with us post this call and we'll take you through.

Moderator: Thank you. Our next question is from the line of Prerna Jhunjunwala. Please go ahead.

Prerna Jhunjunwala: Thank you for the opportunity. Sir, I would want to understand your revenue mix in terms of U.S and non-U.S. And how is the demand scenario in the non-U.S. regions? And is it equally under pressure the way U.S. is?

Shrikant Himatsingka: So, Prerna, during FY22 Himatsingka increased its non-U.S. revenue streams vis-a-vis FY21. Unfortunately, the specific numbers are not

in front of me, but again we'll be happy to take this offline as far as what the non-U.S. scenario looks like in terms of size. In terms of general demand, emanating ex-U.S., I think it's a pretty, relatively speaking, there's a lot of inquiries coming through. There's a lot of interest also because of our broader product offering and our intent to capture broader markets. So, both aspects of strategy at play. We are offering a much broader spectrum of products to our clients globally, and we are consciously looking at tapping new markets. Himatsingka is building on its portfolio of brands constantly. So, all these initiatives have definitely made sure that our non-U.S. streams have become stronger and will continue to become stronger going forward. And we'll be happy to take you through specific numbers offline. I don't have it in front of me at this point.

Moderator: Thank you. Our next question is from the line of Gaurav Jain from ICICI Mutual Funds. Please go ahead.

Gaurav Jain: Yes. Hi, sir. Thanks for taking my question. I have two questions. One is considering our CAPEX is completed and we are not looking at any more growth CAPEX. What should be the maintenance CAPEX that we should be working with for the next two years kind of? And second sir over and above what input cost we would've booked for Q4? What is the kind of inflation we should be looking at over and above Q4? And given the demand slowdown, is there a possibility that we will be able to work for new price hikes or any kind of discussion of that sort with our customers?

Shrikant Himatsingka: Right. So, normal organic CAPEX levels, Gaurav, are in the region of between ₹60 crores and ₹70 crores is what we normally forecast. And so we expect that to continue, but as far as near-term is concerned, we pushed it out by additional six months as we had outlined in our update, given the global volatility. That's our organic CAPEX levels in a normal year. Second, while you haven't asked a question, but I'll just add onto it, so in normal situations we would expect deleveraging in the region of ₹200 crores to play out that's how we would see normal deleveraging on an annual basis. Of course, there's some working capital congestion at this point, so that would be over and above as and when that plays out.

And as far as your other question is concerned on price hikes, I think there is a constant effort that's on to be in dialogue with clients for price enhancements. I think we've completed the first few rounds already, first couple of rounds rather. I don't see immediate price hikes flowing through because the markets are also in a wait and watch mode in terms of how raw material prices will behave. There could be some exceptions to it, but the dialogue is always on. As I said, while the dialogue is on, it's not necessary that something will

come through immediately, because everyone's sort of waiting and watching in terms of what's going to happen to the raw material prices.

There are several trigger points which are, which may include seasons as in weather patterns, trigger points could include regulations as we recently saw where the government took off duties on the import of cottons, trigger points could be looking at regulatory, let's say, restrictions on the export of the raw cotton, which has not been announced. But it's definitely being contemplated as is visible in certain sections of the media. So, these are examples of trigger points that could swing raw material prices and given this people are wanting to wait and watch. When I say people, I mean, stakeholders. So, that's our view. I don't see any near-term price hikes coming through in the next couple of months while the dialogue is on. I think people will wait and see what happens over the next few months to take a call.

Gaurav Jain:

Right. But given the current prices, what you would've built in Q4, what should be the inflation over and above that if you can help with that?

Shrikant Himatsingka:

It's a little tough one, Gaurav, because it'll change by product mix and so on. But I would say there is a bias for a slight upward movement vis-a-vis the fourth quarter, because prices have been consistently on the rise.

Gaurav Jain:

Got it. Just last question on demand. I mean, while we understand that the prices are abnormally high and demand is bound to find the pressure, but other than that is there anything else that you are sensing with regard to say there is a lot of stuffing in channel or anything of that sort, I mean, and what should play out for us to see the normal demand coming back kind of thing, other than prices correcting, obviously.

Shrikant Himatsingka:

No, it's not just the prices that have caused any demand fluctuation or that are causing demand fluctuation. It's also supply chain glut, there's a supply chain glut that's causing demand fluctuation because a lot of our global clients want their supply chains to be leaner. And they feel the inventory levels are a little higher than desired. And so it's something that they would like to bring down. That's also a very major factor in the demand softness story in the near-term. So I think both these aspects should be short lived in terms of a few months, but it's difficult to predict the exact timing of this. Other than these reasons, I don't see any other major trigger as such. That's something that concerns us. I think these are the two pieces.

- Gaurav Jain:** Got it. Last question, is it fair to expect that the net debt should have peaked out, right. I mean, we should not expect the working capital going up. We should not expect CAPEX. So, net debt should have peaked out. Whatever it'll be, it should be de leveraging from these levels best case.
- Shrikant Himatsingka:** That's right. That's our intent. Yes.
- Moderator:** Thank you. Our next question is from the line of Aman Kr Sonthalia, an investor. Please go ahead.
- Aman Kr Sonthalia:** Yes. Good evening, sir.
- Shrikant Himatsingka:** Good evening.
- Aman Kr Sonthalia:** Sir, two questions sir. I've seen the presentation of Trident and recently Indo Count. For the quarter ended March I've seen that India has lost markets share to Pakistan. So is it a warning sign or what is the reason behind that?
- Shrikant Himatsingka:** Aman, honestly I haven't seen what you have seen. So, I'd have to see the context of your statement. India has lost market share to Pakistan is a broad statement. So I'd have to narrow it down to product into category and so on. But I'll be happy to take it offline with you and brainstorm your observation.
- Aman Kr Sonthalia:** And sir what about the demand? Whether we are seeing the temporary let in the demand or it's a demand destruction?
- Shrikant Himatsingka:** No, no. It's, as I said, demand correction in order to facilitate inventory correction with retailers. So, that's the major piece of the puzzle. So broadly we don't see any demand destruction. We are seeing a demand correction in order to right align inventories that's the way we see it. There could be softness in some buckets in some regions, but there could be optimism in certain other buckets and other regions. So, overall, globally, we don't see softness beyond the point. I mean, yes, there is a slight bias, but the major piece is emanating from inventory correction at the point of sales or in the supply chain as the case.
- Moderator:** Thank you. Our next question is from the line of Anuj Sharma from M3 Investment. Please go ahead.
- Anuj Sharma:** Yes, thanks. See we had the legacy upholstery and drapery business, and we were planning to reinvent the product portfolio to get back some of the market shares, so any update on that?

- Shrikant Himatsingka:** While we were working on tweaking our product portfolio and being more relevant globally, I just want to draw your attention that the segment is a very small segment of our consolidated revenue streams. It is sub ₹100 crores and while we are working on that. It cannot materially swing any of our numbers at a consolidated level. It's a luxury small boutique segment of ours. Although it's our legacy business, but, and we are working on it, but from a standpoint of its contribution to consolidated financial performance is negligible.
- Anuj Sharma:** Sure, sure. And second question is, generally what's the premium difference between the branded sales we do versus unbranded or the private label and how has the premium moved in the past two, three years?
- Shrikant Himatsingka:** Well, it's difficult to quantify premium, because the premium can come in the form of slices. It can come in the form of stickiness. It can come in the price of longevity of market share and shelf space and so on. I think all in all on a stable basis, given our strong portfolio of brands and strong portfolio of private label, all put together, it was translating for us to stable EBITDA margins in the region of 20% to 22% in normal market conditions. That's where we think we will continue to be once these global factors normalize. But other than that, for you -- for me to point out what the exact differences in branded revenues or branded products is a little difficult. It all sort of comes down to us seeing our EBITDA profile in the region of 20%- 22% on a stable basis.
- Anuj Sharma:** And lastly, we covered U.S. two entities and both were merged. Now, these used to be among the largest distribution companies. Do these or the merged entity, does it retain its market share or how has the market share changed up the distribution merged entity over the past few years?
- Shrikant Himatsingka:** So, I mean, while it is a distribution entity, but do look at it, do look at us as one integrated entity, right, that manufactures and distributes products. And yes it does retain its share and its share continues to grow along with our revenues so or it's -- depending on the product, of course, and product category. But overall our share has increased because our revenues have increased. So, to answer your question, look at us as one integrated entity. And secondly, our market share has increased because we've had a 41% Y-o-Y increase in total revenue.
- Moderator:** Thank you. Our next question is from the line of Mithun Aswath with Kivah Advisors. Please go ahead.

- Mithun Aswath:** Just wanted to understand in terms of, you mentioned that a large portion of our revenues comes from our own distributed sales, how much would that be? And if there is quite a bit of inventory stuck in the system, would we need to take some sort of write-offs or write-downs as well at some point just wanted to understand that.
- Shrikant Himatsingka:** No, I mean, so to answer your first point, so it's a distribution entity as in it's a wholly own subsidiary that carries on our business activities in the north, basically in North America and Europe. So it seamlessly integrated to manufacturing and it's therefore an integrated model. So please don't confuse yourself with the separate distribution entity and so on. It is just for structural convenience that it exists. And because it operates in international jurisdictions, it has to be a separate legal entity. But the underlying model is seamless and one integrated piece. The second part of your question is, sorry, what was the second part?
- Mithun Aswath:** You mentioned that quite a lot of inventory in the system. I just wanted to understand...
- Shrikant Himatsingka:** Yes, so the inventory write-offs...
- Mithun Aswath:** Would we need to take some write-off or anything on this?
- Shrikant Himatsingka:** No, nothing that we foresee at this point.
- Mithun Aswath:** Okay. And just lastly, just wanted to understand, how is your position in terms of raw material currently? Do you have inventory for the next quarter or something like that or how does that kind of move for you over the next three to six months? So just wanted to understand that.
- Shrikant Himatsingka:** Well, raw material, I mean, there's inventory, of course, in the system. But raw material piece is lean, because we haven't gone long on it given the condition. So, we would continue to buy for our requirements in that fiscal period of whether it's a quarter or a year. So, to answer your question, we are not long in any substantive way on raw materials.
- Mithun Aswath:** And just one last one, in terms of your revenue contribution from Europe, are you seeing any pressure there with the currency fluctuation, just wanted your take on that?
- Shrikant Himatsingka:** We're seeing general demand fluctuation as I outlined earlier during this call, but nothing specifically emanating from currency led issues and so on. I think the best example of probable currency led, let's say, polarizing a shift in sourcing basis could be jurisdictions like

Pakistan who have had severe fluctuations in their currency, but nothing substantive as such that we have seen vis-a-vis our business.

Mithun Aswath:

Right. And looking more medium term, post these issues that you're seeing, do you see any tailwinds in the horizon in terms of these FTAs being signed with the Middle East as well as in Australia, anything that could act as a positive surprise in this current turmoil that we're seeing.

Shrikant Himatsingka:

Yes. I think the themes that are positively playing out, let's just say, is the trade agreements that India is pursuing with international jurisdictions. We saw it come through in Australia. We saw it playing out in the Middle East. We are now waiting and watching as to how it plays out with the UK and Europe and so on. It's clear that the Government of India is actively pursuing these opportunities. And therefore, that will be a positive theme for us as an industry. The second theme that's playing out and has been widely discussed and debated is the China plus one piece. That's still active to the best of our knowledge and as what we see in the industry. So that's something that we believe is also playing out. India has a lot to offer in the textile space.

Other than this, we feel that is India's also offering a lot of tailor made, innovation led, IP led, service led products in our industry and that should be a differentiator that the market would want to absorb. So these are some of the themes. Of course, I'll be happy to discuss it in more detail with you offline. But I do think there are a lot of positives that will play out in the medium term for India. And for Himatsingka more specifically FY22 was a good year for revenues. Unfortunately, it was hit on the operating profitability by the inflation that we saw.

So we continue to be optimistic about our model, as I said, for the investments we have made and the projects that we have completed. With some debottlenecking and some organic CAPEX, we see substantial revenue upside and 20%-22% stable EBITDAs as we have seen through FY17, through FY18, through fiscal FY19 and so on. It was the last three fiscals that for some reason or the other have seen hits in our operating numbers. FY20 got hit in H2 by COVID, FY21 first half hit by lockdowns, then second half normalized in FY21, FY22 first half was working pretty smooth. Then we saw the second half got hit by hyperinflation once again.

So, I'm just waiting for some of these factors to normalize and we should be on our way to achieve the numbers that we just spoke about, because the investments have been made, the assets are strong and we are just awaiting normalization of some of these prices.

- Mithun Aswath:** Just one last one on the balance sheet, since our debt is quite high, have you seen maybe potential rise in rates could hurt us. And since we've not raised capital in the last six months to bring down debt level, is there any thought to maybe do a rights issue or something like that to bring down our debt level? Because the next couple of quarters if your margins are going to be lower, you may just cover your interest costs. So just trying to understand how are we positioned for that?
- Shrikant Himatsingka:** So we will be focused on accelerated working capital, decongestion and scheduled repayments. We have an adequate amount of cash with us including unutilized scripts. So we don't see any short-term issues. Market conditions are volatile. So we don't have any specific thoughts on a capital raise, but we'll keep you posted if we do.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference back to the management for closing comments. On behalf of Batlivala & Karani Securities that concludes this conference. Thank you for joining us. And you may now disconnect your lines.