

# Himatsingka Seide Limited

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August 30, 2018

BSE Ltd  
Phiroze Jeejeebhoy Towers  
Dalal Street  
Mumbai - 400 001

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

Dear Sirs,

**Sub: Transcript of conference call.**

Please find enclosed a copy of transcript of conference call held on August 10, 2018.

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

This is for your information & records.

Thanking you,

Yours faithfully,  
For Himatsingka Seide Limited



Ashok Sharma  
Company Secretary

Encl: as above



Himatsingka

Q1 FY19 Earnings Call Transcript  
Bengaluru, Aug 10, 2018

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**Moderator:** Ladies and gentlemen. Good day and welcome to Himatsingka Seide Limited Q1 FY2019 post results Conference Call, hosted by Batlivala & Karani Securities India Private Limited. The content of the conference call may not be obstructed, quoted, reproduced, distributed or adapted in part or in whole without the permission of the organization. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Ms. Prerna Jhunjunwala from Batlivala & Karani Securities India Private Limited. Thank you and over to you Prerna!

**Prerna Jhunjunwala:** Thank you Vikram. Good evening everyone. On behalf of Batlivala & Karani Securities, I would like to welcome you all for Q1 FY2019 post result conference call of Himatsingka Seide Limited. From the Company we have with us the senior management including Mr. Shrikant Himatsingka, Managing Director & CEO of the company, Mr. Ashok Sharma, CFO - Strategic Finance & Company Secretary, Mr. K. P. Rangaraj, President – Finance & Group CFO, Mr. T G S Gupta, Senior Vice President – Finance & CFO (Manufacturing and Operations) and Mr. Sachin Garg, Associate Vice President Finance - Treasury and Investor Relations. I would now like to handover the call to the management, Mr. Rangaraj. Over to you Sir!

**K P Rangaraj:** Thank you Prerna. Good afternoon ladies and gentlemen. On behalf of the Company we have pleasure in welcoming you all into the conference call for the quarter ended June 30, 2018. As in the past we would go through sections commencing from the business update, then we will have a section on the financial results & ratios followed by some observations and comments on the financial statements.

We commence with the business update for the first quarter. The integration of the recent acquisition of brand licenses is progressing well. We expect to complete the integration exercise by Q4 of FY 2019. The ramp up of efficiency and productivity parameters of the new spinning facility, which commenced commercial production during Q4 of FY 2018, is progressing satisfactorily. The construction of the Green Field Terry Towel facility is progressing as per

schedule and the plant is expected to come on stream during the first half of FY 2020, as communicated earlier to the investors. The facility will have an installed capacity of 25,000 Tonnes Per Annum. The utilization levels at our Sheeting facility remained stable during the quarter and we expect the utilization levels to be range bound during Q2 FY 2019 as well; however, we expect utilization levels to improve in the second half of FY 2019.

Revenue contribution from brands continued its upward trend in Q1 FY2019. During the quarter, revenue from brands stood at Rs.510 Crores. The revenue distribution during quarters of the recently acquired brand portfolio is non-linear. The revenue streams are more back ended to the second half of the fiscal. This concludes the business update section. We now move on to the financial performance section.

The consolidated total income for the quarter increased by 16.7% and stood at Rs.601.38 Crores compared to Rs.515.16 Crores for the previous year Q1 FY2018. The consolidated EBITDA, excluding non-recurring expense, for Q1 FY2019 increased by 26.0% to Rs.141.28 Crores compared to Rs.112.15 Crores in Q1 FY2018. EBITDA margin thus improved to 23.5% as compared to 21.8% in the previous year. The consolidated EBIT, excluding non-recurring expense, for Q1 was up by 20.9% to Rs.115.0 Crores versus Rs.95.15 Crores in Q1 as compared to previous year. Consolidated PBT, excluding the non-recurring expense was up by 12.2% to Rs.78.44 Crores versus Rs.69.93 Crores in the previous year. The consolidated profit after tax(PAT) for Q1 FY2019 stood at Rs.44.57 Crores versus Rs.50.63 Crores in the previous year. Adjusted for the one time non-recurring charge the PAT would have stood at Rs.51 Crores.

We now move to the debt profile. The consolidated gross debt as of June 30, 2018 stood at Rs.2,420 Crores. The total term debt stood at Rs.1,482 Crores and the working capital debt stood at Rs.938 Crores. The cash and cash equivalents at the end of June was Rs.237 Crores. Consequently, the Company's net debt outstanding as of June 30, 2018 stood at Rs.2,184 Crores.

Leverage Ratios: Before discussing leverage and capital efficiency ratios we would like to bring to your kind notice that Q1 FY 2019 ratios have been annualized after adjusting for non-recurring expense to reflect the impact of

recently commissioned projects. The debt service coverage ratio (DSCR) stood at 2.34 times at the end of Q1 as against 2.34 times at the end of FY 2018. Interest service coverage ratio (ISCR) at the end of Q1 was 3.15 times as against 3.80 times in the previous year. The Net debt to Equity stood at 1.73 times at the end of Q1 versus 1.69 at the end of FY2018. The Net Debt, excluding projects work in progress debt, to Equity ratio stood at 1.7 times at the end of Q1 FY2019 versus 1.67 times at the end of FY2018. The Net Debt, excluding the project work in progress debt, to EBITDA stood at 3.73 times for Q1 FY 2019 as against 4.36 times for FY 2018.

I now move on to the capital efficiency ratios. The Return on Capital Employed (ROCE), after excluding capital employed in projects work in progress, for Q1 FY 2019 stood at 15.5% compared to 13.7% for FY 2018. The Return on Equity (ROE), stood at 16.8% for Q1 FY2019 compared to 17.6% for FY 2018.

Lastly, I would like to provide some comments and observations on the financial results for Q1. On the revenue, the other income of Rs.18.79 Crores should be considered as a part of revenue from operations as it predominantly arises from foreign exchange movements pertaining to sales realizations. Such classification is arising out of applicable accounting standards. Forex, we continue to witness headwinds on forex realization front as we shared with you earlier. We would expect to witness the pressure on the forex realization till Q3 FY2019 due to our forex hedging policy that typically covers forex exposures on a rolling 12-month basis. This translates to an adverse impact of 2.0% at the EBITDA level. Other expenses, there has been an approximately 150 basis points year-on-year impact on EBITDA margins on account of change in incentive structures on export fronts. Lastly the other expenses, please note that the other expenses include a one-time transaction cost of Rs.6.99 Crores towards the recent acquisition of brands. This one-time transaction cost includes charges for legal documentation and transaction support. This one-time non-recurring charge has impacted our EBITDA margin by about 1.16%. With this I would like to complete my financial and business update. We will be happy to take on your questions now.

**Moderator:**

Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. We have a first question from the line of Siddarth Mohta from Principal India. Please go ahead.

**Siddarth Mohta:** Good afternoon Sir. I have only one question, in case of your other expense, which is increased from around 94 Crores to 128 Crores we do understand that there is one one-off with respect to your legal expense and all, which is 7 Crores, so apart from that any other expense that you have mentioned in the concall, which I could not get in?

**Shrikant Himatsingka:** Siddarth the other expenses have gone up YoY is also because the Q1 FY2019 other expense line is reflective of full quarter running of the spinning operations, which was nonexistent last year and hence the power and fuel cost predominantly among other expenses coming in from the spinning operations are part of this line.

**Siddarth Mohta:** Sir even if I have to compare from January, February, March that is quarter-on-quarter from that number it has also increased it was like 96 Crores and which has increased?

**Shrikant Himatsingka:** Please refer to the transcript of the call during Q4 that was the quarter during which the spinning plant was capitalized and went into commercial operation and there was some capitalization impacts, which we have spoken about during the call, but if you look at Q4 net of that impact you will see that the numbers make sense.

**Siddarth Mohta:** Now 120 Crores is our normal base going forward?

**Shrikant Himatsingka:** I cannot say whether that will remain going forward. I can say that YoY this number now includes the full running of the spinning operation and hence it has gone up.

**Siddarth Mohta:** That was my only question. Thank you.

**Moderator:** Thank you Sir. We have next question from the line of Sunil Jain from Nirmal Bang. Please go ahead.

**Sunil Jain:** Good evening Sir. My question related to first of all this year spinning capacity, what is the capacity utilization as of now?

**Shrikant Himatsingka:** The capacity utilization is full because it is predominantly a backward integration project as we have indicated earlier and so on the utilization levels we are full; however, the ramp up of the Spinning facility is underway because it is commissioned during February. It is a large plant and it's going to take a couple of quarters to reach the optimum operating parameters that we desire, so that process is underway, but on the capacity utilization front we are full.

**Sunil Jain:** What is the difference between both these things, capacity utilization and ramping up?

**Shrikant Himatsingka:** You can be running a full capacity, but your production efficiencies and other related parameters need not be optimum like wastage and all may not reach to a level. It could include wastages, it would include speeds, it could include energy consumption, it could include manpower deployment, it could include maintenance downtimes and so on and so forth.

**Sunil Jain:** So whatever we were talking about improvement in margin on account of captive yarn that right now is not getting reflected, but as it reaches to its optimal level we may see those things. Are you confident about that or is there concern on that?

**Shrikant Himatsingka:** The margins are getting reflected. We have seen an uptake on the EBITDA front if you look at YoY the last year we clocked 21.8% on our consolidated EBITDA, this year we have come in a 22.3% and this year we have had the following impacts, we have had an approximately 1% impact on the nonrecurring one-time charge. We have had a 2% impact on the foreign exchange front YoY and we have had a 1.5% impact because the incentive structures year-on-year have changed, so in all there is 450 basis point impact after which we have still clocked approximately 50 basis points improvement YoY, so this is largely possible because of the contributions from the Spinning plant.

**Sunil Jain:** Second thing like we buy lot of US cotton and all and international cotton prices are moving up so will this have impact in our gross margin or profitability in the coming phase?

**Shrikant Himatsingka:** Good question, so it is not only the international cotton prices that are moving up even domestic cotton prices have moved up; however, given the product mix of Himatsingka and our internal strategies on hedging against raw materials with a

reasonable outlook, we might have some mild impact. Going forward, we do not see any substantial impact coming through at this point.

**Sunil Jain:** Benefit of the acquisition when we can start getting majorly reflected in our account?

**Shrikant Himatsingka:** The benefits will flow in two forms obviously one will be growth and the other will be earnings. They need not go hand in hand. Growth might precede earnings while we are transitioning the acquisition and integrating the acquisition. So as far as the growth in revenues is concerned as we had spoken with stakeholders earlier the portfolio brands that has been acquired have largely back ended revenue streams that is not to say that the revenue streams are nonexistent in the early part of the year, but they are relatively small and so you will see revenue streams coming in from these brands as we progress through the year with a greater weightage on the second half of the year. We have begun to see trickles coming in from our new acquisitions. Please remember that they were acquired in the latter half of May, so we barely got a month-and-a-half or less than a month-and-a-half during the first quarter, but we have crossed the 600 Crores mark. Our revenues grew 16.5% YoY on a consolidated basis so we have begun to see some impacts coming through although the growth is not attributable to the acquired portfolio entirely, only a small part of it is from the acquired portfolio, but the impact will be visible more so in Q2 and the earnings will catch up on the incremental revenues as we complete our integration exercise vis-à-vis the brand portfolio.

**Sunil Jain:** In the initial comment you have mentioned like second quarter may not be remained a bit soft, so what could be the reason?

**Shrikant Himatsingka:** We did not make any such comment. We mentioned that the utilization levels at the Sheeting plant will be range bound as far as Q2 is concerned, which is the visibility we have at this point. We also made a similar statement when we begun the fiscal year stating that the first half is likely to be more range bound vis-à-vis the second half.

**Sunil Jain:** Great Sir. Thank you very much.

**Moderator:** Thank you Sir. We have next question from the line of Abhishek Roy from Stewart & Mackertich. Please go ahead.

**Abhishek Roy:** Good afternoon Sir. Thank you for taking my question. Sir I have a question regarding the brands that you have acquired during this quarter, how much revenue are you expecting going forward from the brands?

**Shrikant Himatsingka:** Abhishek it is a fair question. When we had concluded the acquisition we had shared with the stakeholders that the estimated annual portfolio size of the acquired brands is approximately US\$60 to US\$65 million and so the second thing that we shared is that this 65 million portfolio is more back ended to the second half of the fiscal given the underlying nature of the revenue streams so that is what we are going to be seeing this year; however, please note that as I said we acquired this portfolio in the later half of May so the first one-and-a-half to two months, which is also an important time for these brands was lost because these brands did not belong to us at that point, so we are going to clock numbers accordingly.

**Abhishek Roy:** Can you just tell me how much of revenue from the segment during this one-and-a-half months post acquisition?

**Shrikant Himatsingka:** We cannot disclose these separate revenue streams vis-à-vis the acquired portfolio, but what I can share with you is the total branded revenue saw a significant improvement during the first quarter and stood at Rs.510 Crores. The revenues from the newly acquired portfolio would be very, very small for Q1, it would probably be in the region of 2% odd of revenues.

**Abhishek Roy:** 2% of the total revenue or out of 500?

**Shrikant Himatsingka:** Of the total revenue, which is why I said it is negligible, its contributions will begin more so during the second quarter because the first quarter we barely have the portfolio for one month and 10 odd days and on top of that the portfolio is back ended.

**Abhishek Roy:** This 510 Crores of revenue from brands it is coming through from the export business only or if there anything in the domestic market as well?

**Shrikant Himatsingka:** It is coming through substantially from our exports channel sent from our American presence and European presence. Our India presence is unfortunately very small at this point. The percentage of revenue coming in from exports would be extremely high, the India would be very low.

**Abhishek Roy:** Can you just give me in percentage terms export and domestic market revenue?

**Shrikant Himatsingka:** If you see our geographic segmental breakup in our numbers that we disclosed in our annual report the revenue from India last year would be approximately 1.5% on an annual basis, so similar sort of numbers would be clocked during Q1.

**Abhishek Roy:** That is all from my end. Thank you.

**Moderator:** Thank you Sir. We have next question from the line of Sunil Rawtani from Artifice Advisors Private Limited. Please go ahead.

**Sunil Rawtani:** There is a significant rise in the other expenses as you mentioned because of the spinning plant coming into the operation and the certain expenses directly meant to the spinning plant, so just wish to understand what is the net benefit vis-à-vis the rise in the cost and the additional debt and interest what we are paying, which really gets reflected into the additional margin because of having the own spinning plant?

**Shrikant Himatsingka:** That is a good question I am sorry I cannot share with you specifics of these spinning plants contributions, but I would definitely say that the contributions have been satisfactory. We have shared with you that the spinning plant should give us close to upwards of 26% in EBITDA, which is a direction in which it is tracking and so on. However specifically vis-à-vis the spinning contributions I am afraid we cannot disclose.

**Sunil Rawtani:** Vis-à-vis we have been procuring the same and not having spinning plants what exactly margins we would have been making into our existing facility?

**Shrikant Himatsingka:** If you look at a consolidated EBITDA margin profile as we shared with you earlier last year we did not have spinning, which clocked approximately 21.5% and that was sort of the 19%, 20% and 21% was arranged we were clocking without spinning and now we are at 22.3% and if you adjust that for the foreign

exchange impact we have had of 2%, the 1.5% impact we are having on the front of the incentive structure being altered and close to 1% we have got on other expenses, the 450 basis point incremental margin on the EBITDA front would have largely for an account of spinning.

**Sunil Rawtani:** The debt, which we have raised for putting up the spinning plant, what is that amount?

**Shrikant Himatsingka:** We cannot share specifics of debt by unit because there are a lot of common assets in a campus.

**Sunil Rawtani:** An approx figure if not the exact in that case with a variant of 10% as such?

**Shrikant Himatsingka:** No. I am sorry, we cannot share that for spinning specifically, but the total capital outlay was approximately Rs.1300 Crores, which was split across three projects our Terry project, our spinning project and our Brownfield Sheeting expansion. The three projects were to be executed over a three year timeframe broadly speaking. We commenced our capex cycle in October 2015 and we have finished with two projects and we are currently on our third, which is the terry plant expected to be commissioned on the first half of 2020 and we are broadly on line with our timeframe and our capex spends. In addition, along the way we have also incurred some organic capex over and above this Rs.1300 Crores quantum, which is in the ordinary course of business.

**Sunil Rawtani:** When it comes to monitoring the Indian markets, do we have any vision to have the market share into India as a country, so what is the roadmap do we have any focus for the Indian market or we are not at all looking for the Indian market as such?

**Shrikant Himatsingka:** A fair question. We are absolutely looking at the Indian market. We see India as a sizeable opportunity going forward. Our strategy for India is work in progress, so I think what we could share and what is appropriate to share at this point is the fact that we recognize India to be a huge market for our products going forward and the fact that we need to come first with a right strategy to enter India, which is something that we are working on at this point, but I would like to remind our stakeholders that not only are we amongst the largest integrated Sheeting producers in the world, we also are operating the largest Spinning plant under

one roof. We are setting up amongst the largest Terry towel plants in the world and above all we operate probably amongst the largest portfolios of brands in the home textile space and so we do bring a fair degree of strength on the table when it comes to intellectual property portfolios a lot of which could be valid for India as well, so we are studying India and at an appropriate time we will share next steps for our India strategy with stakeholders.

**Sunil Rawtani:** How do we see in the coming one year whether we will have a bit of the focus or we will just begin with the strategy on how to penetrate the Indian market, we have already moved ahead with those strategies to enter the market to increase the pie from 1% to 1.5% to whatever levels you are targeting, so is there any ballpark figures?

**Shrikant Himatsingka:** I am afraid I cannot share figures at this point, but your observation is right, so we are not going to see any material change in the next one year's horizon. I think if we do that will be great, but at this point it is reasonable to assume that we are still work in progress and we are not going to see any material changes on India front in the short term.

**Sunil Rawtani:** Any specific reasons as we are already over occupied or with the existing production capacities or the management bandwidth or what exactly happened with the two decent big markets to be looked into?

**Shrikant Himatsingka:** Again, fair question. The reason is we are looking to find the right strategy, which we believe we want to back and so we want to take our time to study things. India is not an easy market to navigate especially for these product categories it is highly fragmented and so it has its intrinsic challenges, so while it is all good to say that we are now going to launch India and we will do this, that and the other and create some optics around it. The fact is that we believe that we need to be able to drive sustainable strategies while entering India and so it is taking us a little bit of time to figure that out.

**Sunil Rawtani:** Thank you.

**Moderator:** Thank you Sir. We have next question from the line of Resham Jain from DSP BlackRock Mutual Fund. Please go ahead.

**Resham Jain:** Thank you Sir. I have just one question on working capital. Last time when we discussed that because of this overlap, which is happening during the Spinning project commissioning stage where we were buying yarn as well as we were buying cotton and the overall working capital was quite high and this quarter also I could see further increase in inventory levels, so just to understand from your angle how much working capital you can see from the existing business whatever you are doing and is there anything else, which I am missing over here especially on the working capital side because that is keeping the overall debt also slightly on a higher side it seems?

**Shrikant Himatsingka:** Resham fair question. We will be happy to discuss specifics on any particular cost or current asset with you offline, but in the last call we had on March 28, 2018 the working capital was Rs.998 Crores that has corrected to Rs.938 Crores, so we are beginning to see the working capital correction. It is a confluence of various current asset classes. On inventory specifically we will take offline, but there does not seem to be any significant movements on that front. It will be correcting with time, so the total working capital bucket is already started correcting vis-à-vis this quarter and we will hopefully continue to see some correction going forward.

**Resham Jain:** Any specific internal target, which you have set for yourself and this is the amount of working capital because it seems relatively higher when we compare it to the peers of course the business model is quite integrated, so it will definitely be slightly higher, which is reflecting in terms of margins as well, but do you feel that this overall working capital is a scope to come down from the current levels or it is marginal?

**Shrikant Himatsingka:** As I said we endeavour to bring it down. It has already began coming down vis-à-vis the current asset class of the inventory has come or not we will be happy to take it offline, but if I take the total working capital borrowings it has certainly seen a correction as I just stated and therefore I do see further scope of correcting working capital. Coming to your question of a specific target I am afraid I cannot share a specific target on working capital. The underlying business models are changing with the commissioning of new projects and so on, so it will be difficult to predict a target as such, but I do see scope for reduction and we are working towards it and it has already started to reflect in working capital borrowing.

- Resham Jain:** Thank you Sir.
- Moderator:** Thank you. We have next question from the line of Sunil Jain from Nirmal Bang. Please go ahead.
- Sunil Jain:** Thank you for giving me chance again. Sir you said that we lost around 2% because of the forex in EBITDA, this is over and above the forex gain, which we got in other income?
- Shrikant Himatsingka:** Yes, this other income forex gain Sunil is not to be interpreted in that way because it sits in other income because of accounting standards. As our group CFO Mr. Rangaraj pointed out, the other income number is substantially to do only with foreign exchange movements pertaining to sales realization and are not to be interpreted as a separate item, so if I look at YoY net realizations on the FX front we have been impacted by approximately 2% points on the EBITDA level.
- Sunil Jain:** I mean to say like we got some forex gain on one the end and apart from that we would have got even this 2% if the hedging policy would not have been then there and this 2% we must have got additional over and above that?
- Shrikant Himatsingka:** That is right.
- Sunil Jain:** You mean to say like incentive is lost, but 3% addition to whatever the 22.3 has come?
- Shrikant Himatsingka:** Let me correct you Sunil. We would not have necessarily got 2% more. We have lost 2% vis-à-vis last year in terms of realizations on FX right and this is over and above the FX gain on the other income line, which is to be looked at as a single, to be looked at in conjunction with total income from operations as it is integral to operations. Over and above, the 2% loss that we have clocked on the FX front we have a 1% loss on the EBITDA level arising out of the onetime nonrecurring charge on account of the acquisitions, which needs to be charged and has been shown as other expenses given the accounting standards and on top of that we have lost another 1.5% year-on-year because of change in incentive structures on the export front.

**Sunil Jain:** What could be the impact of this US tax on China, I assume like whatever the purchase we do we might be doing from China as well?

**Shrikant Himatsingka:** First of all, as far as the products that we manufacture and are trading we have not seen any specific impact, point number one. Point number two as far as my general view on the imposition of duties on inbound goods from China are concerned, I cannot, what I have to say is what is already in the public domain and nothing more because the nature of the subject is such that one really cannot comment on which way policy will move, but if Chinese products were to be hit with additional duties and tariffs it would have a bearing on Indian imports as well from China positively speaking; however, that is just generalization.

**Sunil Jain:** I was talking about the US where you purchase directly from China?

**Shrikant Himatsingka:** As I said we have small purchases from China and none of those purchases are specifically impacted by the ongoing tariff war.

**Sunil Jain:** Last thing about the GST amount we were piling up for that receivable, so are we seeing corrections in that?

**Shrikant Himatsingka:** Absolutely and part of the working capital corrections also attributable to GST decongestion.

**Sunil Jain:** Is that normalized or still we need to get?

**Shrikant Himatsingka:** We still have hopes to normalize further.

**Sunil Jain:** Sir last thing about can I get forex gain amount in other income?

**Shrikant Himatsingka:** It is pretty much 16 out of the 18.7 Crores.

**Sunil Jain:** Great. Thank you very much.

**Moderator:** Thank you Sir. We have next the question from Hem Agarwal, an Individual Investor. Please go ahead.

**Hem Agarwal:** Thank you very much. It is good to see that the spinning plant is starting to add the margins to our business. Sir I just wanted to understand a little bit about the

debt. Can we as a Company see that the debt will come down say after a year because we have reached now quite a level of Rs.2400 Crores, so after a year or so can we see the debt level coming down Sir?

**Shrikant Himatsingka:** Yes. It is a good question Hem and two points, so the leverage will start to correct after our capital expenditure cycle comes to a close, so we still have the Terry towel project to complete, so we will be doing that. We will be commissioning the plant by H1 2020, so the capex cycle would be coming to a close around that time if not earlier and after that we should see this debt beginning to correct. Of course, needless to say while the leverage has gone up the EBITDA is also climbing. Our net worth will also climb. There are small timing differences because when we commission large projects it takes a little time to catch up, but it is not leverage that is unilaterally going up. Other matrix are also seeing enhancement to compensate the impact of leverage, so therefore our DSCR continue to be well in control over two times as we indicated it stands at 2.34 times. Our net debt to EBITDA is at 3.7 times on the annualized basis, which will continue to drop as our EBITDA grows, so yes we would see a correction on the leverage front once our capex cycle is over and in the meantime our operating parameters will continue to improve to counter the impact of higher debt.

**Hem Agarwal:** On the Terry towel project it is going to be commissioned, I just want to clarify the debt, does it mean by September 2020 or September 2019?

**Shrikant Himatsingka:** No, it means by somewhere in the first half of 2020.

**Hem Agarwal:** Calendar year 2020?

**Shrikant Himatsingka:** Yes. It means on or before the end of the first half of FY2020.

**Hem Agarwal:** The FY2020 means till 2019 ending March 2020 Sir?

**Shrikant Himatsingka:** Yes.

**Hem Agarwal:** That is what I wanted to understand and Sir just one quick number. What can we expect the final tax rate to be this year because it has been in Q1 it is 37.44% what can we expect to be at the end of this year Sir?

**Shrikant Himatsingka:** It should be range bound.

**Hem Agarwal:** Thank you so much and all the best. Looking forward for the Terry towel project on the revenue stream Sir.

**Moderator:** Thank you Sir. We have next the question from the line of Rahul Dani from Asit C. Mehta Financial Services Limited. Please go ahead. We have the next question from the line of Sumant Kumar from Motilal Oswal Financial Services. Please go ahead.

**Sumant Kumar:** My question is related to Europe business, so how Europe business is progressing in quarter and what are the key initiatives we have taken to drive the geographies there?

**Shrikant Himatsingka:** The business in Europe as it stands Sumant is something that we need to grow as we have spoken earlier and so we are working towards growing this European portfolio of ours and trying to take some steps to enhance our portfolio so nothing specific to report vis-à-vis the quarter, but our efforts are on to enhance the share of revenues coming in from that region.

**Sumant Kumar:** Thank you so much.

**Moderator:** Thank you. We have next the question from the line of Purna Jhunjhunwala from Batlivala & Karani Securities India Private Limited. Please go ahead.

**Purna Jhunjhunwala:** Thank you. Sir would like to understand the revenue from brands, it reached Rs.510 Crores this year what will be the similar figure for last year?

**Shrikant Himatsingka:** Well last year our nine-month number was approximately Rs.1,100 Crores, so it would be fair to say that it was pretty much split between the first three quarters and we ended the year with approximately Rs.1,610 Crores as we disclosed and so if you put those numbers together I guess you will get your answer.

**Purna Jhunjhunwala:** You said substantial improvements even if we look at percentage for this quarter it is on a topline of Rs.585 odd Crores this quarter, your brand is Rs.510 Crores, which is far higher than what we had shared in the last conference call that we

will reach around 80%, so is there any lumpiness in the business or is it now that brand will continue to contribute this kind of number to the topline?

**Shrikant Himatsingka:** Yes. It has actually been a positive development and more and more of our revenue streams continue to be coming in from branded revenue streams including the new portfolios that we have acquired, so I do not see this to be a lumpy event. This is something that is here to stay.

**Prerna Jhunjhunwala:** That is pretty good actually. We are moving much faster to the 90% plus from brand business?

**Shrikant Himatsingka:** That is right.

**Prerna Jhunjhunwala:** Some clarity on demand scenario in the US, most of the peers have been talking about US recovering so what would be our experience over there and outlook as well?

**Shrikant Himatsingka:** Well Prerna it is difficult to quantify its movements at that scale as you know, but from a sentiment standpoint I think the sentiment remains stable in the United States and in Canada, so North America predominately as we see it remains a stable market. There could be pockets of buoyancy that might be talked about, but it may be company specific, so we will continue to see the markets to be stable at this point and we continue to claw market share recently with our acquisition of this portfolio and as I was answering the previous question we continue to make efforts to enhance our presence in the European region as well.

**Prerna Jhunjhunwala:** Sure Sir. Thank you. That is it from my end.

**Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the senior management of Himatsingka for closing comments. Over to you Sir.

**Shrikant Himatsingka:** As always, thank you all for taking the time. I do hope we have answered the questions to your satisfaction. If there are any questions that remain unanswered or you would like to seek more details, please reach out to us and we will be happy to assist you with any doubts that you might have. Thank you again and we look forward to our next interaction soon. Thanks.

**Moderator:** Thank you very much Sir. Ladies and gentlemen, on behalf of Batlivala & Karani Securities that concludes this conference call. Thank you for joining with us. You may now disconnect your lines.