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August 12, 2024

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

Sub: Transcript of Earnings Call for Analysts and Investors.

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 enclose herewith a copy of transcript of Earnings Call for Analysts and Investors held on Tuesday, August 6, 2024.

Please note that the transcript of earnings conference call shall be available on the website of the Company.

Please take the same on record.

Thanking you,

Yours faithfully,

For Himatsingka Seide Limited

Bindu D.
Company Secretary & Compliance Officer
M.N.A23290



**“Himatsingka Seide Limited
Q1 FY ‘25 Earnings Conference Call”
August 06, 2024**



**MANAGEMENT: MR. SHRIKANT HIMATSINGKA - EXECUTIVE VICE
CHAIRMAN & MANAGING DIRECTOR, HIMATSINGKA
SEIDE LIMITED
MR. SANKARANARAYANAN M - PRESIDENT FINANCE
AND GROUP CHIEF FINANCIAL OFFICER,
HIMATSINGKA SEIDE LIMITED
MS. SHILPA SHANBHAG – VICE PRESIDENT
(STRATEGIC FINANCE), HIMATSINGKA SEIDE LIMITED**

**MODERATOR: MS. PRERNA JHUNJHUNWALA - ELARA SECURITIES
PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Himatsingka Seide Limited Q1 FY '25 Earnings Conference Call, hosted by Elara Securities Private Limited.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*,” then “0” on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference to Ms. Purna Jhunjhunwala from Elara Securities Private Limited. Thank you and over to you, ma'am.

Purna Jhunjhunwala: Thank you, Yusuf. Good evening, everyone. On behalf of Elara Securities India Private Limited, I would like to welcome you all for Q1 FY '25 post results conference call of Himatsingka Seide Limited.

Today, we have with us the Senior Management of the Company including Mr. Shrikant Himatsingka – Executive Vice Chairman & Managing Director; Mr. Sankaranarayanan M – President (Finance) and Group CFO; and Ms. Shilpa Shanbhag, who is VP (Strategic Finance).

I would now like to hand over the call to Mr. Shrikant Himatsingka for Opening Remarks. Thank you and over to you, sir.

Shrikant Himatsingka: Thank you, Purna. Good evening, everybody. And thank you for taking the time to join us on this earnings call this evening. As always, I will assume that you have been through the numbers and I will take you through a business update, and then we will be happy to take on any questions that you might have.

So, in our 1st Quarter FY '25, we witnessed a range bound operating performance, it was pretty stable on the back of stable demand. Capacity utilizations also remained stable during the quarter. And the raw material prices were also range bound, largely range bound during the quarter. The capacity utilization levels at our spinning division stood at 99%, our sheeting was at 66%, and our terry division came in at 67% for the quarter.

As far as we can see, we see a relatively stable demand environment. And we remain focused on expanding our client base, country presence, enhancing our channel presence, and expanding our category presence. These are things that we continue to be focused on, while the environment for demand remains stable.

We have also continued to make progress with our foray into the Indian market, which we started somewhere during the third quarter of Fiscal '24. And we now operate in the country with three brands, we operate with the Himêya brand, we operate with the Atmosphere brand, and we operate the Liv brand. Liv is a brand we have just launched, and the brand is positioned to be able to offer products at more competitive price points, which will enable the brand to have a broader distribution based on the Himêya brand.

So, through our Atmosphere brand, we offer drapery and upholstery products, and the Himêya brand is for bedding and bath and allied products, and so is Liv which is essentially for bedding and bath and allied products. But the price positioning, Himêya is a little higher range than the Liv brand.

So, I think with these three brands, they are fairly well positioned from a standpoint of product portfolio and pricing strategies. And we continue to be optimistic about what India can do for us going forward. We have seen a pretty good traction on the brand so far. We are present now in over 2,400 points of sale. We are present across 29 states. And we are present in over 350 cities. And this is what we have done in the last six months, and we have a lot more to cover.

All in all, we remain very focused on making sure that India becomes an important part of our revenue pie going forward. And we are taking all the steps that we believe can make that happen. That's all on the business update.

As far as our debt numbers are concerned, they have remained range bound for the quarter. Gross debt was Rs. 2,794 crores versus Rs. 2,798 crores at the end of March, a movement of approximately Rs. 4 crores. And our net debt was approximately Rs. 2,670 crores versus Rs. 2,635 crores.

With this, I conclude our business update. And I will be more than happy to take any questions that you might have. Over to you all.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Rusmik Oza, sole proprietor of 9 Rays EquiResearch. Please go ahead.

Rusmik Oza: Actually, just want to understand, our utilization levels have been at that 66%, 67% since last I think Q2 FY '24. So, just wanted to understand, how do you see the path of utilization levels going in the next, at least the next couple of quarters, in FY 25 and next in '26.

Shrikant Himatsingka: So, it's actually a good question. It is coincidental that it's range bound to those kinds of numbers. But the way I look at utilization levels going forward, I think we should be looking at utilizing our capacities and taking the utilization levels over, I would say, 90% levels, over the course of the next year. So, I would say 12 to 18 months, that's what we are targeting. So, you may not see movement. I may not be able to sort of predict which quarter this will sort of happen in terms of a run rate. But we would like to be in the high 90s over the next 12 to 18 months.

Rusmik Oza: And can you give us a path actually, how this utilization will go from 67% to 90% in terms of what kind of more client additions are you looking at or more regions, or it will be more because of the usage of Indian business?

Shrikant Himatsingka: See, I think it will be a combination of various things. So, this is what our endeavor is, we might meet it, we might fall a little short, but I am just sharing with you what we think, how we are thinking and where we would like to be. I am not giving you a forecast or nor am I making a

commitment to this, but I am sharing with you internal management thinking as to where we feel we should be. And the way we are going to be achieving this is, the kind of pipeline that we are sort of putting in place for ourselves, we feel will unfold during this period. So, as you all know, our terry towel plant's fairly new, it was commissioned in FY '20. And in a short period, we bought it up to 67%, which for a greenfield plant is fairly good. And I think the journey from here to taking it to higher levels should be something that we will be able to facilitate the way we are looking at things now, and the kind of pipeline we are putting in place.

It would involve, obviously, expanding our global client base, it will involve tapping more jurisdictions, it will involve broadening our product offering, and it will involve deepening our channel mix. These will be the things that we will be focused on to make sure that or to ensure that we have made our best efforts to get the utilization levels up, because that's a primary area of focus for us.

Rusmik Oza:

A linked question Shrikanth is that our EBITDA margins last year Q1 were 20%, 22% and then they have been ranging between this 20, 22 last quarter with the 20%. So, if you are taking the utilization from 67% to say 85%, 90% over the next year, and then how do you see EBITDA margins panning out? Will they be range bound?

Shrikant Himatsingka:

Yes, I think they will be range bound. We have shared with investors that our business typically is between 18% and 22%, and that's what we feel will be the case, even if we are utilizing our plant capacities at much higher levels. There will always be a headwind of some sort and a tailwind of some sort. So, I do not think we will see any, I do not have any reason to believe that there will be extension of EBITDA margins. I think it will be range bound in this area. And will move on account of product mix, raw material cost and other factors. But yes, it will be range bound.

Rusmik Oza:

My last question before I get in the queue is that, with these three brands in India now, what is the next two, three-year pipeline in terms of the revenue accretion you are looking at from these three brands in India going forward? And what kind of margins we can expect from these three brands going forward?

Shrikant Himatsingka:

So, we had publicly stated and announced that we are looking at India to contribute Rs. 1,000 crores over the next five years. And we think that the market has that potential. We think our brands have that potential. And we are not just going to be present in bedding and in bath, but we are also going to be present in drapery and upholstery. So, when I say drapery and upholstery, I mean, curtains and upholstery products, which is something that we also have as part of our portfolio.

So, with all of these things plus our private label initiatives in India, plus our institutional initiatives in India, because India is seeing a pretty robust institutional demand pipeline as well. So, when I say institutional, it means hospitality and other forms of institutional requirements. So, all this put together, it's quite a compelling market for us to tap into. And so we believe that five year direction is something that we should strive for, and that's what we are working

towards. As far as the margin profile is concerned vis-a-vis the revenue streams that emanate from this jurisdiction, I have shared with investors earlier that we believe that the EBITDA contribution from our foray into India should also be in the region of 18% to 20%.

Rusmik Oza: I was trying to understand is there any difference, because exports normally are to the developed markets, whereas India will have a lot of distribution network, and margins could be shared with lot of intermediaries in between. So, as far as that, do you still feel that we should do around 18%, 20% margin in the India business?

Shrikant Himatsingka: Yes. I mean, is what we are gunning for and what we are positioning ourselves for. Now as I said, we fall short of 200 basis points, that's difficult for me to predict. Or if we enhance it by 200 basis points, it's something I cannot tell at this point. But internally, we are positioning ourselves, our pricing, our strategies for achieving that kind of margin profile of 18% to 20%, even though there are intermediaries and even though this market has its own structures and requirements, we feel that's something that's doable.

I do not know if you heard me, but I said despite the fact that the intermediaries and so on, but there are channels of the market where there are no intermediaries or channels which are direct and so on, so when you blend everything, we feel that this kind of profile is something that we should be gunning for. And that's what we are positioning ourselves for.

Moderator: Thank you. Next question is from the line of Sunil Jain from Nirmal Bang Securities. Please go ahead.

Sunil Jain: Sir, my question relates to, first of all, we had seen some gross margin correction in this quarter. So, any specific reason for that?

Shrikant Himatsingka: No, nothing specific, Sunil. Just ordinary cost, product mix movements.

Sunil Jain: And sir, second question relates to, if I see a longer-term period, our debtors or absolute debtors has increased substantially in last three years. So, what change has happened in the way of selling and all, or how it can correct?

Shrikant Himatsingka: Sunil, that will be pretty granular. So, why do not you call us offline and then we will take you through it, so that we can give you a full understanding of this point that you have raised.

Sunil Jain: Because a lot of money is getting occupied in this debtors period from Rs. 300 something crores to almost Rs. 900 crores.

Shrikant Himatsingka: So, we are roughly at about 120 days, and we should be at a little lower. I mean, we should be lower. So, if you take some time and call us, I will take you through the model.

Sunil Jain: And sir, second related to your India operation, so how much money we need to invest to develop this business, first of all, in working capital and then to develop the brand and all? Initially you might have to invest behind the brands also.

Shrikant Himatsingka: The nature of the foray in India will be pretty asset-light and capital-light, because the company has no intention of building any stores or operating any owned stores and such. We will be leveraging existing distribution networks that exist, be it multi brand outlet networks, be it large format store networks, be it e-com channel networks. So, therefore, the capital outlay to build stores and build any physical infrastructure will not be required. The real investment will be, as far as the balance sheet is concerned, will be making sure that we support it with the right requirements for product and so on. And that's really going to be the major investment. So, overall, it will be capital-light and high on ROCE.

Sunil Jain: That is great. But working capital, we need to provide or not?

Shrikant Himatsingka: Yes, we will provide working capital, but I think the working capital intensity will not be as much as the export business. It churns much better. And these cycles are better. So, we do not estimate any large investments even in the form of working capital at this point.

Sunil Jain: And for this business, whether we will be utilizing our existing capacity, or it will be sourced from outside?

Shrikant Himatsingka: It will be existing for all the products that we manufacture in-house. And if there's some products, Sunil, if we do not manufacture, but we need it for our collection, then we will outsource it. But we do not have any specific plans to really do that.

Moderator: Thank you. Next question is from the line of Akshay Kothari from JHP Securities Private Limited. Please go ahead.

Akshay Kothari: I just wanted to know that in the last call we had guided to do Rs. 4,000 crores of revenue in the next 18 months. And if I do my calculations, we are going to require significant working capital funding for this growth as well. Also, you had guided for some fundraise to ease out the funding crunch which we are facing currently and reduce the borrowing. So, what is the headway on that? How are we going to fund this working capital requirement?

Shrikant Himatsingka: Well, we are looking to debottleneck some of our current working capital, which will also unleash some working capital for future growth requirements as the capacities and our utilization levels go up. I think that should suffice. If there's any additional need, then we will look at it at that point. But we are focusing on being lean on the incremental working capital requirements at this stage. So, that's what our focus is. If there's something that we do need, we will try to make sure that we get it from within our current ecosystems by unleashing some of the current congestion on the working capital front.

Akshay Kothari: Where will the improvement come from, sir?

Shrikant Himatsingka: Decongesting of current working capital cycles.

Akshay Kothari: In working capital, we have three; debtors, inventory and creditors. Where are we expecting an improvement?

- Shrikant Himatsingka:** On the first two, most probably.
- Akshay Kothari:** And how do we plan to reduce that?
- Shrikant Himatsingka:** Well, I cannot share with your granular plan as to how we will reduce. But if you want to have a more detailed chat on it, I will be happy to have it offline.
- Akshay Kothari:** And just secondly, this fund raise, are we planning to do some sort of preferential allotment or rights sort of strategy?
- Shrikant Himatsingka:** We have taken enabling resolutions for various instruments, so we are evaluating which instrument will be optimal for us. And we will look at it in that context.
- Moderator:** Thank you. Next question is from the line of Ms. Perna Jhunjhunwala from Elara Securities. Please go ahead.
- Perna Jhunjhunwala:** Just wanted to understand the demand scenario in the US, largely given the recent update on data wise, and how retailers are looking at the demand scenario and giving orders?
- Shrikant Himatsingka:** So, Perna, the US remains largely stable. And honestly, our focus is not just the US, as I have alluded to before, we are looking at much higher levels of presence in the EU and the UK, in India and in the Asia Pacific region and so on, and we are making progress on all these fronts. So, the way I look at the US at this point is, as I said, it's range bound. But the focus that we have on financing client base and expanding our product portfolios and our channel and country mix, gives us scope to look at growth opportunities in other jurisdictions. And honestly, that will be equally, if not higher, area of focus of the company in the near future and in the medium term, including our presence in India. So, I think there's a lot of growth that other jurisdictions are going to offer us. And we are seeing that demand sort of build as we build our demand, as we build our pipeline. So, while even if the US remains stable, we feel that there's opportunities to grow by doing these things and taking these initiatives in other jurisdictions.
- Perna Jhunjhunwala:** And what will be the incremental share on FY '24 for the new geographies?
- Shrikant Himatsingka:** I will have to look at that number.
- Perna Jhunjhunwala:** I mean, range would be good enough like 5% to 10% or should be good?
- Shrikant Himatsingka:** Yes, I think we should see strong organic growth there, I mean, overall. It might offset some growth somewhere else, but at this point we are seeing broad stability. So, there could be timing differences between quarters. And I am seeing it as a team play out positively.
- Perna Jhunjhunwala:** And sir, how is the competitive intensity in the segment today? Given that Pakistan is also facing some issues and China plus one is also up across the globe.

Shrikant Himatsingka: I think the Pakistan piece and the China piece are playing out. While you have raised this question, your prior question and a couple of others' questions earlier also alluded to utilizations and so on. I would like to say that we acknowledge the fact that we have been range bound in utilizations and it's been a little sluggish as far as growing the capacity utilization levels are concerned. I do thank our investors for their patience on this front. We did see a lot of volatility in global markets and for various reasons over the last couple years or years or so. And maybe, as I said, we are building the pipeline, it may not show up next month, but we are working on this. But when it does show up, trust me, it will keep our utilization levels pretty buoyant. So, the 18-month horizon is what we are looking at, 12 to 18 months, and we will you know see that happen during this course.

And as far as the other external developments like China are concerned or Pakistan is concerned, I mean, they are definitely still there in terms of opportunities. And now with what's happened in Bangladesh yesterday, that might also spell some opportunities. I am not certain as to how it will manifest at this stage. But it's not a large producer of home textiles, but there's some production there as well, and it may not be very comforting for international buyers at this point. So, we will wait and watch. But Pakistan and China remain jurisdictions where retailers are reducing some of their exposures as far as we can see, it's happening gradually.

Prerna Jhunjhunwala: Sir, this really helps to understand the scenario. And just wanted to understand on the interest cost, do we see that coming down with working capital reducing? Largely because I am asking this quarter we had higher consolidated sales, whereas the standalone sales were largely flat, which means there could be some inventory release that could have happened in overseas subsidiaries. So, just wanted to know that.

Shrikant Himatsingka: Prerna, if I have to answer that accurately, I will have to just look at some of the numbers more granularly. It's largely been range-bound Q-on-Q. We are working on bringing it down, as we've shared with investors. We remain sort of inclined to, obviously, look at deleveraging initiatives. And we are working on that, including but not limited to strengthening our balance sheet by enhancing our equity base amongst other initiatives, and obviously working on decongesting some of our working capital cycle. So, as a conscious initiative. I think in the medium term this is something that we want to bring down obviously.

Moderator: Thank you. Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to the management for the closing comments.

Shrikant Himatsingka: Thank you all for asking all the questions that you did. And I hope I have shed some light on your inquiries and so on. I have requested a couple of people to reach out to us for more granular insight to their questions. So, do reach out and we will be happy to answer it for you whenever you have the time. Thank you very much.

Moderator: Thank you. On behalf of Elara Securities Private Limited, that concludes this conference. Thank you all for joining us. And you may now disconnect your lines.