Himatsingka

REF: HSL/SEC/2023/63

August 17, 2023

To	To
The Deputy Manager Department of Corporate Services BSE Ltd. PJ Towers, Dalal Street Mumbai 400001 **Scrip Code: 514043**	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: Transcript 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 enclose herewith a copy of transcript of conference call for Analysts and Investors held on Friday, August 11, 2023.

Please note that the transcript of conference call will also be available on the website of the Company.

Please take the same on record.

Thanking you,

Yours faithfully,

For Himatsingka Seide Limited

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"Himatsingka Seide
Q1 FY2024 Earnings Conference Call"

August 11, 2023

ANALYST: **MS. PRERNA JHUNJHUNWALA – ELARA SECURITIES INDIA PRIVATE LIMITED**

MANAGEMENT: **MR. SHRIKANT HIMATSINGKA – EXECUTIVE VICE CHAIRMAN & MANAGING DIRECTOR– HIMATSINGKA SEIDE LIMITED**
MR. SENTHILNATHAN – SENIOR VICE PRESIDENT & CHIEF FINANCIAL OFFICER – OPERATIONS – HIMATSINGKA SEIDE LIMITED
MS. SHILPA SHANBHAG – VICE PRESIDENT – STRATEGIC FINANCE – HIMATSINGKA SEIDE LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Himatsingka Seide Q1 FY2024 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 please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Ms. Prerna Jhunjhunwala from Elara Securitas Private Limited. Thank you and over to you Madam!

Prerna Jhunjhunwala: Thank you Melissa. Good evening everyone. On behalf of Elara Securities India Private Limited, I would now like to welcome you all for Q1 FY2024 post results conference call of Himatsingka Seide Limited. Today we have with us the senior management team of the company including Mr. Shrikant Himatsingka, Executive Vice Chairman & Managing Director, Mr. Senthilnathan, Senior VP and CFO, Operations and Ms. Shilpa Shanbhag, 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 very much Prerna and thank you all for taking the time this afternoon. I trust you have seen the numbers and what I will do is take you through a business update and then open the floor to Q&A. So the Q1 FY2024 operating performance continue to demonstrate progressive improvement on the back of improved capacity utilization levels, softening of raw materials prices and the marginal easing of energy cost. As a result, we have also seen some positive traction on the capacity utilization level front and our plants continue to see improved capacity utilization during the quarter. The utilization levels at our sheeting division stood at 66%, our terry towel division stood at 67% and our spinning division came in at 99%. We continue to see a stable demand environment and clock some progressive improvement on the demand front driven by our expanding client base and growing presence in new markets. Key raw material prices did soften marginally during the quarter as I mentioned earlier and have contributed to better operating margins. Himatsingka continues to remain focused on deleveraging and we have reduced our net debt to Rs.2512 Crores at the end of June versus Rs.2797 Crores during the same period last year. These were some of the key updates that we wanted to share with you, but I am happy to take any questions that you might have.

Moderator: Thank you very much. We will now begin with the question and answer session. We have the first question from the line of Riya from Aequitas Investments. Please go ahead.

Riya: Thank you for the opportunity and congratulations on a good set of numbers. My first question is with regards to the capex? We had kept in hold some part of the capex so when are we planning? Are we thinking on those lines to restart that part of the capex?

Shrikant Himatsingka: Yes, we did put some of our capex initiatives on hold. At this point they continue to be on hold. We would like to make sure that we focus on delivering operating performance before reinitiating those initiatives so we will continue to monitor the performance for a little longer before taking a call on beginning those initiatives. We have adequate headroom on capacity at this point and we thought it is prudent to wait a little longer before continuing with our capital expenditure initiatives. I hope that answered your question.

Moderator: Sir it seems the participant is off the queue. We will move to the next question from the line of Kaustubh Pawaskar from Sharekhan. Please go ahead.

Kaustubh Pawaskar: Good morning Sir. Congrats for a good set of numbers. Sir I just want to understand on the demand environment a bit like are you seeing any improvement in the order booking from your existing client for the quarters ahead and we have seen sequential improvement in the capacity utilization so whether that trend will continue? On the margin front this quarter we have seen margins in the upwards of 20% so whether that will continue in the quarters ahead or you would be looking at rationalizing some of the product prices should that would help with clock in better order or competitive advantage in the markets for the quarters ahead?

Shrikant Himatsingka: Thank you Kaustubh. As far as the margins are concerned, we have typically stated that in stable conditions our EBITDA margins would be in a band of 18% to 22% so we are in the upper end of the band for the last quarter, but I must say that these margins can fluctuate in this band between quarters depending on the product mix and things of that nature. On the demand front, we are seeing a stable demand environment. We continue to take a lot of initiatives to enhance our market share by leveraging initiatives on expanding our product offering, expanding our channel reach and diversifying our market presence. These are the three initiatives that we are constantly taking to and fro that we get larger market share and feed into the demand across these markets so that's on the demand front and on the margin front.

Kaustubh Pawaskar: So earlier you have alluded that per quarter revenue trajectory would be expected to be around Rs.700 Crores so do you foresee that as it happening in the quarters ahead and on the capex front as you had mentioned that you have put it on hold currently and what kind of utilization rate do you expect to relook at those capex plans?

Shrikant Himatsingka: So normally we do not give revenue guidance but in a stable demand environment I think it is reasonable to assume given the visibility we have, we should be fairly stable on the revenue front and on the capex front we did put it on hold. I thought that it is prudent for the company to watch global market conditions for a little longer before enhancing capacity so we prefer the increase in the capacity utilization, we will reconsider an appropriate time to begin those initiatives once again, but right now our focus is getting our operating performance rhythm back on track and deleveraging. That is really our focus delivering on these two fronts is our highest priority and I think we will wait a little longer before taking a call on the capex front.

Pawaskar: Right Sir and last one on the deleveraging front any specific target do we have this year that you would like to reduce debt by a particular number?

Shrikant Himatsingka: On a Y-o-Y basis we have reduced close to Rs.300 Crores of net debt from June last year to this year so of course there will be some fluctuations between quarters, but we hope to continue with deleveraging. We have reduced approximately Rs.70 Crores from March so it will be a little difficult to give you an accurate hold on what this year entails. The principle outflow is pretty low this year, but nevertheless we are working on becoming more efficient on our working capital cycle and things of that nature. So I think the theme of deleveraging will continue into FY2024 and we will work to reduce debt further this fiscal.

Kaustubh Pawaskar: Thanks.

Moderator: Thank you. We have the next question from the line of Ankur Kumar from Alpha Capital. Please go ahead.

Ankur Kumar: Thank you for taking my question and congrats for a good set of numbers. Sir my question is on the margin side so can you comment please it is very good compared to the last many quarters as well as compared to other players of the industry can you comment on that topline please?

Shrikant Himatsingka: I can definitely comment on the last few quarters. Unfortunately, I will not be able to comment on our margin profile versus peers but if you look at Himatsingka's margin profile during FY2017, FY2018, FY2019, first half of FY2020 before we really foray into volatile period during the second half of FY2020 because of COVID and then there has been a fair amount of volatility in the external environment which affected our operating performance. So unfortunately our margin profile during the last several quarters have been impacted either on account of hyperinflation of raw material and energy and supply chain or extreme fluctuation in demand and things of that nature so our operating margin band is consistent with what we have clocked in stable condition in the past and while we are subject to fluctuations between quarters, I maintain the fact that we operate in a band of 18% to 22% and that is how I see the model going forward.

Ankur Kumar: Got it Sir and Sir on interest expense can you please comment as it is quite varied and can you comment on that please?

Shrikant Himatsingka: Well the last quarter I did mentioned that there was some subsidies that we have to recognize during the Q4 but what you see now is more the sustainable number vis-à-vis the current debt profile. Needless to say that interest costs have been impacted over the last year to year and a half because of interest rate hikes generally speaking so that has been a contributor to higher interest rates and thereby higher interest costs but what you see during this quarter is more like what you will see going forward. Of course corrected for any deleveraging that we might see. Some of the dealer hedging we have done has not necessarily resulted in interest costs reduction because of the interest rate hikes that we witnessed during this period.

Ankur Kumar: Sure Sir and sorry I joined a bit late. I missed your comment on the outlook? Can you please share that again Sir?

Shrikant Himatsingka: On the outlook front, I think we have our areas of focus. We have to be mindful of the volatile operating performance that we clocked over the last few quarters. I did share with stakeholders that beginning the second half of FY2023 and going forward we will be focused on progressive improvement of performance, which is what we seem to be clocking. The demand environment remains stable, but Himatsingka will be focused on enhancing its market share using its strong product portfolio and broadening product portfolio, diversifying market presence, diversifying channel presence and you will also hear from us shortly our strategy for the domestic market. That is something that we will share with stakeholders shortly.

Ankur Kumar: Got it Sir. Thank you and all the best.

Moderator: Thank you. We have the next question from the line of Riya from Aequitas Investments. Please go ahead.

Riya: Thank you for giving me a followup opportunity. My first question is in regard to the cotton prices? What kind of inventory are we holding right now and is the cotton price currently sustainable?

Shrikant Himatsingka: Well, the current cotton prices seem to have settled down. As you know for the most part of FY2023 cotton was let us just say at its highest ever and has been cooling down over the last eight to nine months. It is presently about Rs.58,000 a candy and we think that it should be stable around these levels plus their various views on this matter, but it seems to be pretty stable at this point.

Riya: What kind of inventory do we hold for the full year in terms of cotton?

Shrikant Himatsingka: We hold about a couple of months nothing more than that in the pipeline.

Riya: Okay and in terms of the second question the other expenses have increased this quarter so what are they pertaining to and are they sustainable?

Shrikant Himatsingka: I have a look at that, but we will be happy to take that offline. It will be ordinary course movements. I do not think there is anything extraordinary but we will happy to circle back on that.

Riya: And are we having any strategy in terms of repayment of debts since we will be doing a good amount of cash profit this year?

Shrikant Himatsingka: No, I think as I said earlier our focus will be deleveraging. Our focus is not prepayment, but our focus is deleveraging.

Riya: What is our payment schedule of the current year?

Shrikant Himatsingka: The principle outflow requirements for the current year are fairly muted. Again we will be happy to share more detail on that offline, but we will be focused on getting our working capital cycles to be a little more efficient. As I said earlier, we have corrected about Rs.300 Crores of net debt from June last year and so, both on the working capital and on the term debt side we will be sort of focused on deleveraging.

Riya: Okay and my question in regards to demand is what kind of festive order are we seeing and what kind of market share increase are we seeing in any of the categories?

Shrikant Himatsingka: The demand outlook looks stable as I said earlier and we are just focused on enhancing market share. Unfortunately in this industry, percentage of market share numbers are not very accurate because of translucent data that is available, but expanding product portfolio, expanding our market reach and expanding our channel reach, this will essentially be the theme. As I said earlier we have some new direction on our presence in India, which we will share with stakeholders shortly.

Riya: That would be more of margin accretive or similar to the export market?

Shrikant Himatsingka: I do not see any reason for it to be margin decretive so I think it should be in line.

Riya: Thank you so much for answering my questions.

Moderator: Thank you. We have the next question from the line of Rusmik Oza from 9 Rays Equiresearch. Please go ahead.

Rusmik Oza: Sir I had two questions. One is on a sequential basis Sir we have improved our utilization levels both in sheeting and terry towel, but the revenue and sequential basis are flattish like in Q4 we had Rs.692 Crores revenue? Now it is Rs.686 Crores so is it that inventories have gone off just to supply during this quarter for the coming festival seasons in the US if we can just throw some light on this?

Shrikant Himatsingka: No that is really not the reason. The reason is, there are some products that the company does not manufacture and typically sources out. If you see our standalone numbers, you will see an uptick on revenues from Rs.561 Crores to Rs.634 Crores during this quarter, so that is where the capacity utilization numbers come through. But on the consolidated front there remain flattish because some of the outsourced products that we have chosen to discontinue are not a part of our revenue streams.

Rusmik Oza: Okay and Sir second question actually was relating to your other income. Last year I think we had Rs.41 Crores other income? It has come down to Rs.4 Crores now and for the full year last year we had almost Rs.75 Crores of other income? It could be relating to export benefits or whatever it is? So if you can just give us some guidance this year in the next few quarters are we likely to get some export benefits or how this other income will shape up in the next three quarters for this financial year?

Shrikant Himatsingka: No the other income last year included some assets which we were sort of upgrading and so we decided to monetize some of our older assets and upgrade them. Other than that the other income is most of the times to do with foreign exchange fluctuation which is part and parcel of our business model because of the fact that over 98% of our revenue streams on a standalone basis are exported out but we do not see any volatility on that front and so other income will largely just reflect ordinary course other income and nothing else.

Rusmik Oza: Okay and is there any income that we are going to accrue in the few quarters on this export incentives or benefits, which the company is like to get?

Shrikant Himatsingka: So the export, first of all, these are not benefits. These are remission of duties and levies set an export oriented company incurs during the journey of production, right so yes there is a small portion of that there is more like export incentives and benefits so it is largely their mission of duties and levies and that is an interesting part of our revenue stream. So it is not about us expecting any specific incentives. It is integral part of revenue model, so we will continue to recognize and receive the stated levels of reimbursements from the central government on exports as is the case with several sectors.

Rusmik Oza: And my last question is on the utilization levels? Now on the sheeting we have gone to 66% and terry towel is 67%, for the rest of fiscal year how do we see this utilization levels panning out? Will it go over 70% or based on your assessment of the current demand that is there from your clients?

Shrikant Himatsingka: While there could be some fluctuation between quarters, I think our focus will be to enhance utilization. As I was saying earlier as priority areas is to enhance utilization and to deleverage and to focus and consolidate that is really our current focus in the short term. That is why some of our capex proposals have been put on hold because we have headroom in capacity and it will be our endeavour to increase utilization levels so we have been seeing a steady increase in utilizations and notwithstanding fluctuations between quarters, we we will hope to continue to improve these utilization levels as we go forward.

Rusmik Oza: Any guidance would like to give for financial year what kind of utilization you would like at in sheeting and terry towel business Sir?

Shrikant Himatsingka: Unfortunately I cannot give you an guidance on utilizations, but I think there is a trend/pattern that is coming through and if our focus is to enhance utilizations and I am seeing reasonably stable demand environment at this point and we are focused on enhancing market share, so we hope to improve on these numbers.

Rusmik Oza: Thank you Sir. If there is some repeat questions I will come back.

Moderator: Thank you. We have the next question from the line of Prerna Jhunjhunwala from Elara Securities. Please go ahead.

Prerna Jhunjhunwala: Sir I would like understand could you give some color on this product expansion market trend and channel expansion that you were talking so some color how is it was for the last one to two years on this front and where should we move and what we should look forward to?

Shrikant Himatsingka: Prerna that will involve a fair amount of sort of backdrop and detailing. I will give you a summary, but I will be happy to add more let us say dimension to what I am saying offline. So the various channels we feed into. We feed into big box format, we feed into department store formats, we feed into specialty store formats, we feed into ecom platforms and so on. So we are really focused on enhancing our presence across these platforms as and when opportunity presents itself. So that is what I mean by channel expansion and by product expansion with our new terry towel plant that was recently commissioned we are armed with a fairly broad product portfolio in the home textiles context and so there a lot of adjacencies within the world of home textile products which we keep enhancing and sort of tapping into, so it is not just sheets and towels, we are vary of products that exist. So when I talk about product expansion or portfolio expansion that is what I mean adding allied adjacent synergistic products to our portfolio positioning us as a total solutions provider within this space so that is on the products portfolio front and on the channel front for you.

Prerna Jhunjhunwala: Okay and Sir could you give some color on Europe you were and other markets that you are venturing into? How are they shaping up?

Shrikant Himatsingka: So we we are seeing a fair amount of traction in markets like the EU and the UK and we have been studying and researching the potential that India has going forward. So we will be, as I said, sharing our thoughts with investors and stakeholders on this front pretty shortly so there will be a new dimension to revenue streams going forward.

Prerna Jhunjhunwala: That is fantastic Sir. Sir my last question on working capital cycle can you give some color on how we should look at working capital cycle reductions and where do you see it two years to three years down the line?

Shrikant Himatsingka: Let me circle back on that one, Prerna. So thematically speaking we have been focusing on improving our working capital cycle, but where we will see it two to three years down the line I will have to give that more thought and shape before I circle back.

Prerna Jhunjhunwala: Sure Sir. No problem. I will take it off line. Thank you Sir.

Moderator: Thank you. We have the next question from the line of Jayesh Lad from Centra Insights LLP. Please go ahead.

Jayesh Lad: Sir my question was is it possible to for you to give the revenue spread between various segments like bed sheet and terry towel?

Shrikant Himatsingka: Jayesh we do not do that. We look at it as home textiles.

Jayesh Lad: Okay so can you at least provide us with the information like one is which I higher margin segment?

Shrikant Himatsingka: Jayesh it is fairly complex. There is no segment like the higher margin segment and so on. You have to look at it as a home textile segment that is what at this point we operate only in the home textiles space. So all of our revenues on a consolidated basis reflect home home textile products in terms of terms of revenue streams and our products the entire spectrum on pricing from opening price point products all the way to luxury products but all in all Himatsingka is positioned as a comprehensive player across price points and our sweet spot will be really if you look at it from overall standpoint, it is the mid market and margins are not necessarily better on the higher end or worse on the lower end. It is more to do with realizations and not margins.

Jayesh Lad: Can you at least provide us the volumes like what were the volumes of bed sheet or terry towels?

Shrikant Himatsingka: So the way you can decipher that is we have our capacity utilization numbers that are in front of you and you know our installed capacities for those divisions so sheeting currently has an installed capacity of we did something that you know about and so on the terry so it is easy for you to compute those numbers.

Jayesh Lad: Okay sure Sir. Thank you and all the best for the future.

Moderator: Thank you. We have the next question from the line of Varun Gajaria from Omkara Capital. Please go ahead.

Varun Gajaria: Thanks for the opportunity. Just had a small question on the capex plan how much of it has been put on hold?

Shrikant Himatsingka: Was your question how much of our capex has been put on hold was that your question.

Varun Gajaria: Yes.

Shrikant Himatsingka: So we had announced the fact that we want to bottleneck are terry towel capacities and our sheeting capacities. You know, we put that on hold and so as I was saying earlier, we wanted to watch market conditions for a little longer before we re-initiate those capital expenditure programs of ours. We have adequate headroom on the capacity front and so we thought it is a little premature under these conditions to press that button at this point, but that we have been seeing progressive improvement on utilization and if this continues then we will reconsider looking at those initiatives.

Varun Gajaria: Right and what is the amount that you plan on spending on both of these?

Shrikant Himatsingka: So I had said earlier that whatever we do, we will do in our annual maintenance capex and organic capex buckets. We will not be looking at spending anything beyond that in the near future because our focus remains to be getting our operating performance to the levels that we desire and continuing to deleverage so whatever initiatives we take on the capex front will be within our annual maintenance and organic capex band which is typically up to Rs.70 Crores.

Varun Gajaria: Okay. Thanks for the opportunity and all the best.

Moderator: Thank you. We have the next question from the line of Rishikesh from RoboCapital. Please go ahead.

Rishikesh: Thank you for the opportunity. Sir firstly on the international demand front now that more or less the problems they are going behind us and things are improving? Can we save by in the couple of quarter to next two we can go back to our our previous level of revenue run rate per quarter which was around Rs.750 Crores to Rs.800 Crores?

Shrikant Himatsingka: I cannot tell you who Rishi, whether we will or we will not but I can only tell you that is what we are focused on doing steadily increasing our utilization levels and steadily enhancing revenue streams and delivering on our margins and our overall operating performance, focus on deleveraging, focus on all of these initiatives so that is where we are intended to head and that is our focus. Whether we will achieve that or not as you know we do not give guidance so I unfortunately will not be able to share anything beyond this but this is really the internal thinking and theme that we are focused on.

Rishikesh: Okay and also Sir with respect to gross margins, the gross margins are looking very high in this quarter Q1 FY2024 do we see this normalizing in the incoming quarters, quarters or is it going to stay at the same level for a few quarters?

Shrikant Himatsingka: If you look at in context to what we have clocked in table conditions, it is within that band but as I said earlier, it could fluctuate between quarters because gross margins emanate from product mix. It emanates from raw material prices and various other factors. So there could be fluctuations in this number between the quarters as we go along. But I think what is safe to assume is that it will move in a band.

Rishikesh: Okay. Got it. Thank you.

Moderator: Thank you. We have the next question from the line of Yash Tanna from iThought PMS. Please go ahead.

Yash Tanna: Good afternoon and congratulations on a good set of numbers, so my first question was in relation to the previous participant only so we are in the range of Rs.650 Crores to Rs.700 Crores what are the factors that will lead us to moving to breaking out from this Rs.650 Crores to Rs.700 Crores may be to Rs.750 Crores to Rs.800 Crores maybe the UK FCA or if they are in talks with a few new clients or if you could highlight something on that front if you are in talks with a few new clients? What is basically lead us to move into the next trajectory?

Shrikant Himatsingka: It is a good question Yash. If you look at FY2022 for example we did about Rs.3200 Crores and we were at a run rate of about Rs.800 Crores quarter. We took a dip during the last year and now while revenues remain range bound operating margins and performance are progressively coming back to normal so the question about how do we get back to run rate that is really going to be driven by enhanced utilization levels at all our plants and that is what we are focused on. I did mention to someone earlier during this call that we have done away with some revenue streams which will not materially impact our operating performance but will impact the revenue line a little bit but not withstanding that I think the run rate will come back as we place higher capacity driven by our focus on enhancing market presence across geography tapping into more channels and continuing to broaden our product portfolio. So these strategies which are currently playing out will aid us to get back into that revenue orbit.

Yash Tanna: Right and any new clients like we are in talks with in the near term?

Shrikant Himatsingka: We have added a substantial number of clients over the last couple of years because we have a new product portfolio to showcase namely our bath solutions vertical so on the back of that we have added several new clients and we continue to add new clients. At a macro level there is an angle of the China plus one that is playing out. It is obviously not limited to our sector but vis-à-vis our sector there is this angle which is playing out. We are seeing interest in sourcing from India and we are seeing potentially speaking more shifts that can happen from places like China. We are also seeing the fact that Pakistan is going through a lot of social political turbulence and economic turbulence and that is also sort of paving the path for India to look at more attractive sourcing destination than Pakistan. I am just highlighting some macroeconomic movements that could potentially impact our industry positively in this case. As far as FTAs are concerned while there is no concrete news just as yet but as is available in public domain it is in the works and if it were to happen then that would again give a fillip to India as a more attract sourcing destination for these kinds of products.

Yash Tanna: Thanks that was helpful. On the second question so we said that we d not have a lot of principle payments in FY2024 so maybe the interest cost will remain at a similar level up to the previous year but for the next year that is FY2025 what sort of a payment plan do we have? So I am trying to understand maybe by the end of FY2025 what will be our net debt situation?

Shrikant Himatsingka: We can circle back Yash on specifics of principle repayments and things like that but regardless of what our principal repayment outflow is we will continue to try to deleverage and work on even our working capital cycles as I mentioned earlier and so that is what we have been doing but more specifically if you need any data we will be happy to get in touch or do get in touch and we will take you through it.

Yash Tanna: And one last question if I may on the domestic front you mentioned that you with be sharing a strategy shortly? My question how significant will this opportunity be for us in relation to our current business and if you could highlight the market size or competitive landscape or something like that?

Shrikant Himatsingka: You will hear from us very shortly on this front and so I would not want to say much more on this call but as I said you will from us but generally speaking India is a growing market obviously. It is a consolidating market in many ways. It is evolving. It is very interesting for us and it is going to be substantial in the medium to long term as a consuming market so in that backdrop you will be hearing from us shortly as to what we have in mind.

Yash Tanna: Thank you and best of luck for the future.

Moderator: Thank you. We have the next question from the line of Dhruvish from Premji Invest. Please go ahead.

Dhruvish: Yes. So I have two questions. The first is on the utilizations so when I look at the percentage increase and the utilization for the quarter it was quite high for bed sheet when we compare that to towels so are you seeing some good traction in bed sheet versus towel if may be qualitatively comment so that is my first question?

Shrikant Himatsingka: So Dhruvish vis-à-vis Q1 that is what we saw so yes sheetings saw better traction than terry towels but it fluctuates between quarters but for the Q1 that was the story you are right.

Dhruvish: Do you thing this strength should continue for the rest of the year?

Shrikant Himatsingka: I mean we are seeing traction on both fronts between quarters one could do better than the other and vice versa, I think thematically we are seeing improved traction on both fronts and that is how we think it should pan out for the rest of the year. Of course there will be fluctuations between quarters.

Dhruvish: Sure and second is on the bottlenecking capex which you have told, so had it been done how will it impact capacity for 61 Mn for sheeting and 25,000 tonnes for towels so is this was done then how these two numbers look like and what would be the amount of capex that we would need?

Shrikant Himatsingka: So because a lot of our structure and our major capex cycle is over, all our infrastructure is in place so we were not looking at any big bang capex to debottleneck both these capacities. It would be within our annual maintenance and organic capex budgets and we were looking to expand this to 9 million meters and 40,000 tonnes per annum respectively but which we have put on hold and we would have typically done that over spread over two fiscals to make sure that we stay within budgets and so on but that is how it would have broadly looked. Again as I was saying earlier there are various product categories that we are in and so on so that adds a layer what the capacity about means in various product categories but broadly speaking those are the numbers.

Dhruvish: Sure Sir to understand better so this Rs.70 Crores which you talked about will go to de-bottlenecking for this year which will be considered as maintenance and the 9 million and 40 tonne million that will may be done in 2024 and 2025 right?

Shrikant Himatsingka: No what I said was your question was what would it have looked like and I said I was answering what it would have looked like had we had gone ahead but presently we are on hold. We are just watching market conditions. As I said we are focused on driving operating performance. Our priority is to deleverage and deliver this performance and once we feel comfortable with our performance then we will reinitiate these capital expenditure programs.

Dhruvish: Sure thanks.

Moderator: Thank you. We have the next question from the line of Rusmik Oza from 9 Rays Equiresearch. Please go ahead.

Rusmik Oza: Thanks for the followup Sir. Sir my observation as you mentioned earlier the difference between your consol numbers for the last year and this year and the standalone it has come down from Rs.176 Crores to Rs.56 Crores? Last year non standalone was almost 26% of your overall consol revenue which has come down to 8% and you somewhere mentioned that you are coming out from the outsourcing to manufacturing it seems so does this has also contributed to the improve margins and if you can just share that how much is outsourced right now and how much it was last year?

Shrikant Himatsingka: So we are not coming out of outsourcing. We are reducing certain categories that we outsourced earlier, point number one. Point number two yes that is what has for the most part caused the delta between standalone and consol to diminish. Point number three mathematically speaking that would have an impact on margins and to that extent it has had impact on margins in terms of a positive impact and your fourth point on how much is outsourced and how much is not. I cannot specifically comment on that but it is a very small portion of what the outsourcing is vis-à-vis total revenues sheets.

Rusmik Oza: Related question Sir. Qualitatively the outsourcing was earlier more in the terry towels or the sheeting business and which has got reduced can you just share?

Shrikant Himatsingka: What I will do Rusmik is it is in the home textile space but it is not necessarily sheeting or terry. There are various other products that we operate in, but I will be happy to sort of give you a clearer picture offline because it will be difficult for me to explain over the call.

Rusmik Oza: Okay a small last question Sir if you can just quantify how much your EBITDA margins could have improved on account of the shift or reducing your outsourcing to own manufacturing?

Shrikant Himatsingka: I will have to work that out. It would not be very substantial. I will have to work that out and get back to you which we will be happy to do but it cannot be very substantial.

Rusmik Oza: Okay. Thanks. That is it from my side.

Moderator: Thank you. Ladies and gentlemen, due to time constraints that was the last question. I would like to hand the conference back to the management for closing comments. Please go ahead.

Shrikant Himatsingka: Thank you all very much for taking all this time and asking out all the questions that you did. I do hope I have answered most of your questions. If there is anything that you would like to know more about or be more clear about do reach out to us and we will be happy to take you through it. Thank you again.

Moderator: Thank you members of the management. Ladies and gentlemen, on behalf of Elara Securities Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.