

REF: HSL/SEC/2024/41

May 31, 2024

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

Dear Sir/ Madam,

Sub: Transcript of Conference 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 conference call for Analysts and Investors held on Friday, May 24, 2024.

Please note that the transcript of conference call is 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
Q4 & Full Year 2024 Post Results Conference Call”**

May 24, 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 INDIA
PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Himatsingka Seide Limited Conference Call hosted by Elara Securities India Private Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Perna Jhunjhunwala: Thank you, Aditya. Good evening, everyone. On behalf of Elara Securities India Private Limited, I would like to welcome you all for Q4 and full year FY '24 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 CFO; 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.

Shrikant Himatsingka: Thank you, Perna. Good evening, everyone, and thank you for taking the time to join us on our earnings call. I will take you through a business update and then we'll be happy to take any Q&A that you have.

So FY '24 has registered a stable operating performance on the back of stable demand, stable capacity utilizations and softening raw material costs, which is something that we witnessed through the fiscal. The capacity utilization during the quarter remained stable across our 3 plants. As you've seen, the utilization in our spinning plant came in at 100%, and the Sheeting and Terry plants were at 67% each.

The demand environment remains largely stable and we remain focused on expanding our global client base, while enhancing our channel and market presence across all the key markets that we operate in. Raw material prices remained range bound and largely stable during the quarter and have contributed to Y-o-Y improvements on the operating performance.

India remains a high priority market for us and the launch of our HIMEYA brand during the third quarter of fiscal has been an important and significant event for us. We remain optimistic on building our India presence with 2 brands, both Himeya and Atmosphere, and we continue to want to achieve revenues of approximately INR1,000 crores from India over the next 5 years.

Moving on to some recognition. We won the silver trophies from the Cotton Textile Export Promotion Council, TEXPROCIL, for the second highest exports of Cotton Madeups in the Terry Towels category, and Cotton Madeups of the Bed Linen and Sheeting category as well.

And we have also been certified Great Workplace by the prestigious Great Place to Work Institute, a global leader in workplace culture. These are some of the salient updates that we have

for you today. On the consolidated net debt, we've ranged down our consolidated net debt to INR2,634 crores, at the end of March '24 versus INR2,626 crores at the end of December '23.

So I think all in all, these are some of the updates that we wanted to share with you. I'll be happy to take any questions that you might have. Over to you.

- Moderator:** Our first question is from the line of Rishikesh from Robo Capital.
- Rishikesh:** Sir, the current capacity that we have, what is the potential revenue that you can do?
- Shrikant Himatsingka:** Approximately INR4,000 crores, just over INR4,000 crores, is our estimate.
- Rishikesh:** Okay. And do we have any internal target to achieve the stable capacity utilization?
- Shrikant Himatsingka:** We would like to head in that direction and be running at full capacity over the next 18 months or so, 18 months, 2 years kind of time frame, if not earlier. That's what we assumed.
- Rishikesh:** Okay. And the INR4,000 crores does not include new initiative of Himeya brand, right? That will be a separate thing?
- Shrikant Himatsingka:** No, that's part of this. But yes, there will be -- because it's our brand. So it will add some muscle to this number. But for your purposes, we assume that it's including that.
- Rishikesh:** Okay. And for Himeya, are we going to do any special expenses? Is there going to be any run rate or anything for the next 1 or 2 years?
- Shrikant Himatsingka:** No, I think the initial period while we start up, of course, will be -- will have a skewed expense structure. But ultimately, the EBITDA profile, that the estimate coming through from India should be comparable to what we are talking today. And the band of EBITDA that I've shared with investors and other stakeholders, we typically operate in the 18% to 22% band depending on product mix and timing and market conditions. It's typically where we are in stable state.
- So the India growth will not -- we don't see it diluting our EBITDA profile. It will not dilute our EBITDA profile, is what we estimate.
- Rishikesh:** Okay. Got it. And regarding our revenue scale-up, so last many quarters, our revenue has been flat around INR700 crores. How do you see the revenues going ahead from next quarter onwards? Do we see any uptick on a scale up to the 18 months number you said INR4,000 crores, would that be a secular growth INR4000 in 18 months?
- Shrikant Himatsingka:** Yes. I think we should see it progressively. I won't be able to share sort of views at a quarterly level. But I think progressively, that's where we should head. We've covered some distance over the last 1.5 years because some of our key clients faced some headwinds, so we have to make up some revenue streams on that front.
- Of course, there is an angle of the global overhang that one sees because of the crisis in the Middle East and the Russia-Ukraine situation, coupled with other macroeconomic headwinds that some of the major markets see. But our focus on enhanced product offerings and tapping

into new markets, new clients and new channels is something that we see offsetting some of the challenges on the market front. And we would like to head towards full utilization in that 18 to 24-month period that I spoke about.

And do remember that we always have the ability to further debottleneck capacities at our Terry Towels facility and our sheeting facility should demand improve. And then that could be over and above the numbers that I spoke to you about.

Rishikesh: Okay. Sir, would it be fair to say that we'll be growing next year almost 15% to 18% year-on-year?

Shrikant Himatsingka: I'm sorry. I won't be able to spell that out. I think directionally, over the next 18 to 24 months, we feel that we'll be heading towards full utilization and we always have the ability to expand further should the need arise. We have a strong trajectory that we want to build with our India presence. And we can always tweak and debottleneck capacities depending on product mix.

So all in all, I think that should give you a flavor of where we are headed. And I wouldn't be able to predict and/or sort of share what one would see at a quarterly level but progressively, that's where we would like to sort of head.

And the last 1.5 years, we've had some headwinds from, as I said, some revenue losses because some of our clients faced some headwinds. We've also pulled out of some categories of products, which I've shared with stakeholders earlier, we lost INR200 crores on that front because we don't see that as core going forward. So we've had some of these challenges as well.

But we have overall sort of remained stable. Our operating performance has come in pretty strong. Our EBITDA have been healthy. We've broadly bettered our overall revenue streams. And we remain now focused to be able to tap and garner more market share as we go forward.

Moderator: Our next question is from the line of Perna Jhunjunwala from Elara Securities India Private Limited.

Perna Jhunjunwala: Sir, congratulations on strong margin performance throughout the year, being best of among the peers. We would like to understand what helped you attain these margins, whether it was better client mix, better product mix, better geographies? I mean just trying to understand what helped you to attain this sustainable improvement in margin in this year?

Shrikant Himatsingka: Well, thank you, Perna, for your thoughts. In fact, it's a confluence of things. It's product mix, it's brand mix. It is cost controls. It is our technology platforms, our shop flow configurations, efficiencies. It's all of these aspects put together. You have seen these numbers in the past from Himatsingka. It's not like you have not -- we have hovered in this region. We've seen this kind of EBITDA profile. As I said, it would fluctuate between 18% and 22% in stable business conditions.

So my answer to you is it's a confluence of things. It's not just one thing that's led to this. We could see a quarter where this dips, we could see a quarter where it's a little better. But overall, we would like to be in this band.

Prerna Jhunjunwala: I understand that this could fluctuate, but given that you have been able to do 20% plus kind of margins throughout the year, just wanted more color on what has changed, which could help generate an improving profile throughout the year. I mean if you could give some granular insight about how product mix, has it changed or something, some color, whatever you can give.

Shrikant Himatsingka: Prerna if you look at our numbers in '17, '18, '19, first half of '20, perhaps fiscal '22 first half because second half had extreme levels of inflation. I mean, plus/minus 150 basis points, it's in the same range. So it's nothing extraordinary that we have delivered. Yes, it's been a stable performance in the margins, but it's not a first time for Himatsingka.

And as far as your request on sharing more granular, let's say, aspects of operating performance that led to this kind of margin, I'll be happy to take it offline with you because it would involve a lot of intricacies and nuances, which will take a lot of time for me to explain. Give us a shout and we will be more than happy to take...

Prerna Jhunjunwala: Sure. No problem. Sir, my second question is on demand environment. You mentioned that it is stable. Could you help us understand how it is in various geographies? Because you've been wanting to increase our geographical mix as well. So how has it been U.S. and how is Europe shaping up? I know Asia and GCC that we're targeting to grow. How are things in different geographies?

Shrikant Himatsingka: Yes. So when I say stable, I mean I'm not really seeing any specific trigger for an uptick in demand at this point. Any growth that, at least as far as Himatsingka is concerned, any growth that will be coming through is really because of enhancing market share, enhancing client mix and product mix, and it's really going to be driven by a stronger mix of product, a stronger mix of clients, and a stronger mix of jurisdictions that we serve.

So the absolute demand remains stable. I would say, there is an overhang of caution in major markets. So I'm using the word stable with a slight negative bias, if you will, at least in major markets. And therefore, we will endeavor to continue to enhance -- to continue to grow, will be driven by a broader product mix, larger client mix, and more markets that we serve.

And that's why India is going to be playing an important role as well because we want to accelerate growth in this jurisdiction to be able to make sure where our growth rates are going. So we haven't achieved a whole lot of growth at all. If you ask me, Prerna, it's in single digits. But in order to be consistently growing going forward, these are the initiatives we think we should be taking.

Prerna Jhunjunwala: Understood, sir. And sir, any color on the brand demand, in the branded portfolio? How are things there? Because there was inventory pile-up in the U.S. and now most of the brands are talking about correction in those levels and normalization. So how are things shaping up on that front?

Shrikant Himatsingka: I don't see much movement. I think that the same logic that applies to private label in terms of demand would apply to the world of brands. We are also consciously trying to take initiatives to turn our portfolio, to optimize brand costs and revenue streams. That's something we're doing

and that our Himeya and Atmosphere initiatives will also make that sort of goal that we want to pursue, in terms of making sure the cost of brands is better aligned for us going forward.

But on the demand front, there's really nothing different vis-a-vis brands. It's not like this is a higher demand for brands vis-a-vis private label. I don't think that's the case. And I think the logic of growth vis-a-vis brands will be the same as that of private label going forward.

And as far as inventory is concerned, we want to try to see how we can reduce that further. So we are working on that. But actually, our priority is to make sure that we grow in India, to make sure that we do growth in international markets as well. And of course, parallelly work on working capital rationalization and optimizing working capital cycles, which we feel there is room to improve.

Prerna Jhunjhunwala: Okay. What kind of reduction in working capital days we can expect what's the room for it, improvement?

Shrikant Himatsingka: Well, see, that's something I wouldn't want to specifically spell out. But I would say that we are working to be better our current cycle time.

Prerna Jhunjhunwala: Okay. Thank you, sir. All the best.

Moderator: Our next question is from the line of Kaustubh Pawaskar from Sharekhan by BNP Paribas

Kaustubh Pawaskar: Yes. Sir, my question is, again, on the working capital. As you just mentioned that you are focusing on reducing your working capital days. Then should we expect along with reduction in working capital days, your debt also to come down over a period of time? Because currently, the debt on books is on a higher side, and that is something is a cushion for us to lead our balance sheet maybe in the coming years. And as we are looking at more on investments in the Indian market, I think that is something one should look upon. So your thoughts on this, sir?

Shrikant Himatsingka: You're very right. I don't disagree with anything you said. We are working to deleverage. We want to deleverage. And we are working on the same. And at some point, we would like to strengthen our balance sheet with more equity. So that's something that's on our radar as well, along with the ordinary course deleveraging. So we are going to be working on this from 2 or 3, let's just say, perspectives, and to bring down the leverage. So we are aligned on your thoughts. That's something that we are working on to bring down.

Kaustubh Pawaskar: Right. And sir, one specific point you mentioned about enhancing your market share. So will it happen to the quality of products you will be bringing forward into the market? Or is anything there to push yourself to gain those share or you regain those clientele so that your revenue trajectory would improve over the period of time? I'm not expecting it to happen in 1 or 2 quarters but maybe from 1 year or 2-year perspective, are you expecting your...

Shrikant Himatsingka: Absolutely. Absolutely. Our plants are not just best-in-class vis-a-vis the quality of plants, the technology platforms, and so it's also amongst the most flexible manufacturing platforms in the space that we operate in. And so the product mix that we bring to market is broader. And we feel that's USP and something we can build on to garner more market share going forward. So that's

something that's going to drive this whole initiative of enhancing market share. Our ability to not just offer world-class manufacturing platforms -- sustainable manufacturing platforms, but also to give our global plans a product mix and base that would be, let's just say, unique.

Kaustubh Pawaskar: And sir, had work started on this front? Or still we are in creating of the strategies and the things will start coming up in the market from the quarters ahead?

Shrikant Himatsingka: It should start from the quarters ahead. I mean I'm a little -- I should have delivered a little more on the growth front this year. We had some headwinds. So while it's been a stable performance, we are a little disappointed with the kind of growth that we have got. And we will be working on the same going to '25 and further. As I said, there could be quarterly movements, which are not necessarily in sync with the growth. But directionally speaking, we would want to continue to pursue that, obviously.

Our peak revenues were about INR3,200 plus crores in FY '22, and then we lost some steam post some of the macro issues that the market faced. And so we want to head back in that direction and then onwards from there.

Kaustubh Pawaskar: So just to conclude, the focus right now will be bringing back to growth, deleveraging our balance sheet maybe over the next 2 to 3 years. Is it the right understanding?

Shrikant Himatsingka: Yes, focusing on growth, focusing on deleveraging, and focusing on strengthening equity. These are the 3 things I would like to focus on, and that's what we've shared with stakeholders.

Moderator: Our next question is from the line of Varun Gajaria from Boring AMC.

Varun Gajaria: So just a follow-up question on the debt front. So what are we doing there? And what is plan? I know you we might take a equity route, but when is that plan, how is that going?

Shrikant Himatsingka: Varun, we can't hear you clearly. I'm not sure what your question is.

Varun Gajaria: Yes. So just wanted to understand. So you said that you might have -- you might take the equity route to strengthen your debt profile -- deleverage your balance sheet and strengthen your debt profile. So when is that planned and how is that playing out for you?

Shrikant Himatsingka: Well, we'll have to do that sooner than later. It's something we're working on. The market conditions were a little volatile. So we are sort of waiting for certain things to improve. But we are cognizant of where we stand today. We are cognizant of us wanting to sort of strengthen our balance sheet and all the future benefits that it will bring. And I want to make sure that the company is poised for growth and strong balance sheet is important ingredient when you want to position yourself for growth.

So keeping all of these things in line, we would like to strengthen and raise equity sometime this fiscal, that's what we're running for.

Varun Gajaria: So what is your ideal debt-to-equity profile that you look at for that you look at that you think would be sustainable for the company?

- Shrikant Himatsingka:** So we would like to bring our net debt to EBITDA levels to below 3.5x, which is where we used to be. And so we would like to head there. And we would like to make sure that our DSCRs are in the region of 1.8x to 2.2x. These are the important leverage parameters that we focus on.
- Varun Gajaria:** Okay. All right. And earlier, you mentioned that you've lost some business lately. So if you could just throw some light on that as to how that happened and what is the quantum of business that we've lost there, the 2 stakeholders you mentioned?
- Shrikant Himatsingka:** I'm sorry, I didn't get your question.
- Varun Gajaria:** Earlier on the call, you mentioned that you've lost some business with some stakeholders lately, which has led to -- muted which is net to a muted year -- so if you could just throw some light on that, that would be great.
- Shrikant Himatsingka:** So one of our clients, Bed Bath & Beyond, we have lost market share with them because of the condition and then finally have to wind up. So specifically speaking, we had lost revenue on that front. Although it was gradual, but we have lost it and we had also consciously stopped trading certain products and things of that nature because that was not our core. These were 2 specifics steps.
- Varun Gajaria:** Okay. So essentially, inventory from there has been -- has there been any inventory pile up from Bed Bath & Beyond we must have had stags up some inventory there, is that right?
- Shrikant Himatsingka:** There was some, which was then utilized in other areas and we focused accordingly.
- Varun Gajaria:** Okay. So that inventory is out, I suppose.
- Shrikant Himatsingka:** That's right.
- Varun Gajaria:** Okay. Got it. Sir, what is the quantum of business we got from Bath & Body Works? In terms of top line Bath & Beyond side?
- Shrikant Himatsingka:** I don't have any specific about that. Unfortunately, it's sensitive data. But it was an important client and we have to lose revenue. But that's, I guess, something that happens from time to time. But those were some of the headwinds we had to sort of battle despite which we kept revenue stream stable with a slight upward bias. And as I said, our areas of focus are clear and our capex cycle is behind us. And we want to make sure that we are focused on these 3 things that we spoke about.
- Varun Gajaria:** Okay. And going forward, what will make you do further capex? What will be that trigger that you would think of additional capex now?
- Shrikant Himatsingka:** We don't have any plans for any additional capex of any consequence other than our annual maintenance and organic capex requirements and something we've shared very openly and clearly with stakeholders. So we don't see any major capex coming in at this point. And our focus will only be to make sure that our leverage parameters, our growth trajectory and our equity base are attended to.

Moderator: Okay. As there are no further questions from the participants, I now hand the conference over to management for closing comments.

Shrikant Himatsingka: Thank you all for taking your time this evening and joining us for this call. I do hope I've answered most of your questions. There were some questions that needed more time and detailing, which I'll be happy to take offline. Do reach out to us and we'll take you through the queries. Thank you again, and have a nice evening.

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