Himatsingka

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BSE Ltd.
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Mumbai - 400 001
Script Code: 514043

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

Dear Sirs,

Sub: Transcript of conference call.

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

Pursuant to Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements), Regulations, 2015, we attach herewith a copy of transcript of conference call held on February 10, 2020.

Please also note that the transcript of conference call will also be available on our website www.himatsingka.com.

This is for your information & records.

Thanking you,

Yours faithfully,
For Himatsingka Seide Limited

Ashok Sharma
Company Secretary

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Earnings Call Transcript
Bengaluru, February 10, 2020

Q3 FY20 Earnings Conference Call

February 10, 2020

Moderator: Good evening ladies and gentlemen. I am Pavitra, moderator for the conference call. Welcome to Himatsingka Seide 3QFY20 post result conference call hosted by Batliwala and Karani Securities India Private Limited. At this moment all participants are in listen only mode. Later we will conduct a question and answer session, at that time if you have a question please press star and one on your telephone keypad. Please note this conference is recorded. I would now like to handover the floor to Ms. Prerna Jhunjhunwala. Thank you and over to you ma'am.

Prerna Jhunjhunwala: Thank you Pavitra. Good evening everyone. On behalf of B&K Securities, I would like to welcome you all for 3QFY20 post results conference call of Himatsingka Seide Ltd. From the company we have with us the senior management including Mr. Shrikant Himatsingka, Managing Director and CEO of the company, Mr. K P Rangaraj, President (Finance) and Group CFO, Mr. Ashok Sharma, Senior Vice President (Finance) and CFO - Strategic Finance and Mr. Ashutosh Halbe, Executive Vice President and CFO - Operations. I would now like to handover the call to Mr. K P Rangaraj for the initial comments. Thank you and over to you Sir.

Mr. K. P. Rangaraj: Thank you Prerna. Good evening ladies and gentlemen. On behalf of the company we would like to welcome you to the 3QFY20 earnings call. As always, I will start the call with a business update followed by comments on financial statements and thereafter some leverage key ratios. So, I will start with the business update. The commercial production at our Greenfield Terry Towel facility was commenced on 3rd October 2019. The ramp up of production has been on expected lines. Restructuring of our Italian arm is largely completed and had an exceptional item impact of ₹8.38 crores during Q3FY20. The ministry of textiles has retrospectively withdrawn benefits under MEIS scheme with effect from 7th March 2019. As a result, during the quarter the company reversed the MEIS benefit of ₹36.93 crores for a period from 7th March 2019 to 31st December 2019. Of this amount, ₹11.28 crore pertains to Q3FY20 and has had an impact on the revenues. The balance amount of ₹25.65 crores has been disclosed as an exceptional item. During the quarter, revenue streams from brands stood at ₹579 crores versus ₹571 crores during Q3FY19.

I now move onto my next section, which is on consolidated financial performance for the quarter ended Q3FY20. Consolidated total income, was higher by 2.2% during the quarter ended 31st December 2019 and stood at ₹675.85 crores versus ₹661.25 crores in Q3FY19. Consolidated total income has been adjusted for reversal of MEIS amounting to ₹11.28 crores. The consolidated EBITDA for Q3FY20 after considering the reversal of MEIS stood at ₹124.71 crores from ₹151.07 crores in Q3FY19. EBITDA margin for Q3FY20 was 18.5% as compared to 22.8% in Q3FY19. Corrected for MEIS, the EBITDA margin for Q3FY20 would be 19.8%. Consolidated EBIT, a consolidated EBIT for Q3FY20 stood at ₹89.74 crores versus ₹123.68 crores in Q3FY19. The Consolidated PBT, before exceptional item, for Q3FY20 stood at ₹39.35 crores versus ₹82.66 crores in Q3FY19. The exception item of ₹34.03 crores represents, reversal of MEIS benefit of ₹25.65 crores and restructuring expenses of ₹8.38 crores. In addition, PBT was impacted by higher provisions on account of TUFS amounting to ₹5 crores. This provision was taken on the basis of ageing of receivables. The consolidated PAT, before exceptional items and MEIS' impact for Q3FY20 adjusted for tax for Q3FY20 stood at ₹27.94 crores versus ₹51.16 crores in Q3FY19. The consolidated PAT for Q3FY20 stood at ₹2.78 crores versus ₹51.16 crores in Q3FY19.

I now move onto my next section on consolidated financial performance YTD FY20. Consolidated total income stood at ₹1,973 crores for the quarter for YTD FY20 versus ₹1,961 crores in the previous year. Consolidated total income has been adjusted for reversal of MEIS scheme amounting to ₹11.28 crores. The consolidated EBITDA for nine-month period ended FY20 after considering the reversal of MEIS stood at ₹408.36 crores versus ₹439.50 crores for the previous year. EBITDA margin was 20.7% as compared to 22.4% in the corresponding period of previous year. Corrected for MEIS, the EBITDA margin for the nine-month period would have been 21.15%. Consolidated EBIT, the consolidated EBIT for the nine-month period ended December 2019 declined to ₹320.54 crores versus ₹359.55 crores for the previous year. The consolidated PAT, before exceptional item adjusted for tax, for a nine-month period stood at ₹113.9 crores versus ₹148.47 crores in the previous year. The exceptional item of ₹40.67 crores represents reversal of MEIS benefit of ₹25.65 crores, restructuring expenses of ₹8.38 crores and impairment of investment amounting to ₹6.6 crores. In addition, PAT was impacted by higher provisioning on account of TUF amounting to ₹9 crores. This provision was taken on the basis of aging of receivables. The consolidated PAT for the nine-month period stood at ₹82.09 crores versus ₹148.47 crores in the previous year. Adjusted for the exceptional item the PAT could have been at ₹113.9 crores.

The next section is on the debt profile. The consolidated gross debt as of 31st December 2019 stood at ₹2,813 crores compared to ₹2,738 crores at the end of Q2FY20. Gross debt includes liabilities in line with IND AS 116. The total term debt stood at ₹1,773 crores and total working capital debt stood at 1,001 crores. The cash and cash equivalents and current investment stood at ₹206 crores as of 31st December 2019. Consequently, the company's net debt outstanding as of 31st December stood at ₹2,607 crores compared to ₹2,524 crores as of Q2FY20.

Leverage ratios on TTM basis. The Net Debt to EBITDA was 4.75 times at the end of the quarter as against 4.39 times at the end of the previous quarter. The DSCR stood at 1.45 times at the end of this quarter as against 1.59 times at the end of previous quarter. The Net Debt to Equity stood at 1.82 times at the end of the quarter versus 1.77 times at the end of the previous quarter.

Capital efficiency ratios on a TTM basis. The ROCE at the end of the quarter stood at 10.4% as against 11.7% at the end of the previous quarter. The return on equity ratio stood at 11.6% at the end of the quarter compared to 13.6% at the end of the previous quarter. With this I would like to complete my part. We will be happy to take on your questions now. Thank you for your patience.

Moderator: Thank you, Sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press star and one on your telephone keypad and wait for your turn to ask the question. If you would like to withdraw your request you may do so by pressing star and one again. I repeat, ladies and gentlemen if you have a question please press star and one on your telephone keypad. Sir we have first question from Nihal Jham from Edelweiss. Please go ahead.

Nihal Jham: Thank you so much. Sir, I may have missed this in the opening remark, but wanted to check how is the ramp up of the towels business be in this quarter?

Mr. Shrikant Himatsingka: The ramp up has been satisfactory. As you know, it's a 25,000 tons per annum plant. It's a Greenfield facility. So naturally the ramp up will be in phases. And I think after a good start. The overall objectives that we had vis-à-vis our new terry facility, have not changed. Obviously, as it's the quarter of commercial production, it will have its pressures as it did, but I think the direction that we have seen and the response that we have seen is very encouraging.

Nihal Jham: Could you give us ballpark utilization number that the facility operated at?

Mr. Shrikant Himatsingka: I am sorry we don't discuss utilization numbers, but as I said it has been off to a good start.

Nihal Jham: Sure, sir and just checking in terms of the order book of the current orders that we have for the towel business, so currently, what is the visibility in terms of revenues or orders that we have for the business?

Mr. Shrikant Himatsingka: So, as I shared with investors last time, we see that our towel facility, which is of 25,000 tons per annum capacity close to full utilization over a two-year span of which we have done with the first few. And our ramp ups are in line with keeping that sort of time frame. I think Q3 and Q4 will be sort of singular in terms of utilization levels at the plant. And then we will see ramp ups going into next year.

Nihal Jham: That's helpful. Sir the second question was, you know, on the overall performance and mainly the bed linen unit towel as we got recently commissioned that if I look at the revenue trajectory at least for the last two quarters or even for the first nine months, I do get a sense that when I compare it to how the industry is performing in terms of exports to USA it seems as if we have underperformed the industry has done and could be a possible case of market share loss that we have experienced. So just wanted to comment if as you mentioned last quarter that some orders did not come through is the current trend continued for us specifically or there are other factors that you may want to elaborate on?

Mr. Shrikant Himatsingka: Well I am not sure what data you are looking at Nihal. To my knowledge…

Nihal Jham: I am looking at the OTEXA data.

Mr. Shrikant Himatsingka: Yeah, I mean I don't see underperforming industry so I don't know where you are getting that from, but we have had broad stability on the revenue front overall after the commissioning of towels, but therefore if our revenues are stable after having commissioned towels means we have seen some softness in another bucket, which we have. We have seen some softness on our bedding divisions vis-a-vis revenues, which has got offset by the terry coming into play, which has been a little challenge for us. Although it's a mild correction, but even then. So, while I don't see, underperforming the industry as such it has been a slight correction on that front, which has caused some pressure on the earnings. I see there are two or three kind of challenges going forward over the next couple of quarters. The MEIS removal will have to be factored in and priced in as we go forward. Therefore, it cannot be done in a single quarter. It will take a couple of quarters to attempt to correct that reversal. Secondly, while our terry towel plant ramps up, we will see some challenges coming through, but those are on expected lines. And thirdly we have some, softness from the sheeting division that we are seeing. Hopefully, that will correct going into next year. I would also like to say that some of that softness is also on account of the fact that we are focused on bringing down our working capital and therefore, one should continue to see reductions in the inventory vis-à-vis our existing businesses. Having said that I have also shared with investors in the past that we have had headwinds from our niche businesses which are our Italian arm and legacy business, which is Drapery and Upholstery division. We have largely completed the restructuring required at our Italian arm, which Mr. Ranga spoke about earlier that is the ₹8.8 crore that came though the exceptional items. However, we continued to see headwinds in our Drapery and Upholstery division, which we are attempting to address. So, the challenges over the next Q or two will be attempting to fill in for the withdrawal of MEIS, ramping up the terry production and therefore, overcoming some initial challenges that a Greenfield facility faces. The slight softness we have seen in our sheeting division, X manufacturing, is being addressed. As I said that is also partly due to inventory reduction measures that we have taken. The fourth is the Italian arm restructuring which is largely completed. There could be some residuals going forward, but that is being largely addressed and Drapery and Upholstery division continues to throw up some challenges, which we are addressing. So, may be if you see, our ₹124.7 crore EBITDA for the Q, corrected for MEIS is closer to ₹136 crores, which is off by a few crores vis-à-vis the EBITDA that we have been clocking over the last four to six Qs. And so therefore, the same EBITDA is now coming after terry is being capitalized and carrying with a greater depreciation and interest. So there lies the challenge and I think with the measures I just spoke about, which is addressing the softness in the sheeting division, ramping up the terry division, addressing the challenges in the legacy, Drapery and Upholstery division, it will be feasible to overcome the challenges that we are facing on the EBITDA front and also unleash some growth on the revenue front.

Nihal Jham: Sir, that's helpful. One last question we competed our Capex program last quarter one sir, the towel unit got commissioned. So, if the increase in debt this quarter related to working capital for the towel ramp up and what is the debt guidance going forward? Those are the only questions from my side for now.

Mr. Shrikant Himatsingka: For the Q our interest expense YOY is higher by approximately ₹5 crores on a like for like basis because we have made a ₹3.5 crore provision on TUFS wherein, we have taken a view that if there are TUFS subsidies which are running behind schedule vis-à-vis payment to be made from the central government we will take a position on that front. So, this interest and finance charge includes ₹3.5 crore impact that's coming in from there. And it also has an additional impact of close to ₹1.5 crores for the Q and approximately ₹4 crores for the nine-month period in the December on account of recognition of the TUFS subsidy as well. So, the impact on a quarterly basis vis-à-vis Q3FY20 is approximately ₹5 crores, which has resulted from this TUF adjustment. Corrected for that it stands at around ₹45.3 crores for Q3. And as far as our debt is concerned, it has largely remained range-bound going up and down 50-60 crores a Q, but directionally we should see the debt correcting as we go forward. Our capex program has largely come to an end. There is still, there will obviously some organic capex going on and we have some residual capex left at a campus level that is still being incurred although the plan has been commissioned. So, the overall direction that debt will take from here on, will be that of going south. There could be some movements at a quarterly basis, but overall that's where it led.

Nihal Jham: Sir, I have a few questions. I will get back in the queue for them. Thank you so much.

Mr. Shrikant Himatsingka: Thank you.

Moderator: Thank you sir. Ladies and gentlemen if you have a question please press star and one on your telephone keypad. We have next question from Sushrut Ghalsashi from JM Financial. Please go ahead.

Sushrut Ghalsashi: Good evening, Sir. Thank you very much for taking my question. This is one from my side. Have you been seeing any impact of corona virus, especially on the Chinese exports to the US?

Mr. Shrikant Himatsingka: We have certainly hearing of it. Specifically, vis-à-vis Himatsingka, we haven't seen any benefit and/or impact of such incidence as yet, but obviously what we hear from clients is that inbound shipments are running late from China and there are obviously concerns going forward vis-à-vis timing of shipments. So that's one thing that we are hearing on and we are also seeing, let's say, medium term concerns, but these have not translated to any specific opportunity and request from any client.

Sushrut Ghalsashi: Got it sir. Thank you very much.

Moderator: Thank you sir. Ladies and gentlemen if you have a question please press star and one on your telephone keypad. We have next question from Sunil Rawtani from Artifice Advisors. Please go ahead.

Sunil Rawtani: There has been a significant rise in the other expenses and the purchase of goods has reduced substantially, the reason for both.

Mr. Shrikant Himatsingka: Other expenses are range-bound; you know YOY its ₹139 crores versus ₹147 crores. So, I don't see much of an impact on other expenses. And as far as purchase of traded goods is concerned, it's a movement in product mix so that could probably explain it. Nothing tends to it.

Sunil Rawtani: There is a significantly variants in the quarter and quarter, means if you can give a break up what it has led to because there are very big variants Q on Q...

Mr. Shrikant Himatsingka: You are talking about, actually on the purchase of traded goods I would also like to say that until now that, as the towel plant ramps up all the bath requirements that the group was earlier outsourcing, will be fulfilled by in-house product produced. And therefore, that will reduce to some degree purchase rate of goods and as far as the Q on Q movement of other expenses is concerned, which is approximately ₹20 crores, I think that's what you are referring to, we will be happy to take that offline and share with you the reasons for the movement.…

Sunil Rawtani: Yeah. And what is the shift, means, how much we are doing in-house as compared to the…

Mr. Shrikant Himatsingka: For example, some of that Sunil will also include, until Q2, terry was not capitalized. So, all energy expenses and all other expenses to do, operating expenses of the plant sits in the other expense line and therefore, it looks a little larger than Q2 because the terry towel plant in Q2 was not a part of the P&L.

Sunil Rawtani: And the outcome of these when it comes to the purchase of the goods and the adding to the revenue front? vis-à-vis the expensive.

Mr. Shrikant Himatsingka: It will basically lead to better EBITDAs and we produce goods in-house. Of course, it has been offset by certain other challenges, but we will always have a portion of products that are sold in the market that are traded goods because we don't produce it in-house. But the proportion of in-house production we will keep increasing broadly speaking as we ramp up terry, and as I explained, the other expenses is just to do with the onboarding of the terry plant vis-à-vis commercial production started 3rd October.

Sunil Rawtani: Sir, in the coming quarters, can we assume the purchase of goods would decline further and the expenses would cap at this level what we have seen in this quarter?

Mr. Shrikant Himatsingka: As the terry plant ramps up, the absolute expense base will also go up naturally because it will consume more energy and have more operating expenses. So, I don't think that it is the right way to look at it, but if we look at it from a standpoint of proportion, the margin profile should be protected, as we have seen. The only thing is the withdrawal of MEIS and the impact of the terry ramp up will even out in a couple of quarters as we go along.

Sunil Rawtani: And the purchase of goods would decline further?

Mr. Shrikant Himatsingka: At an absolute level, it should remain range-bound, but as a percentage, it could reduce.

Sunil Rawtani: Because that is leading to a better gross margin. So, we can expect they tend to continue or to improve in the coming quarters.

Mr. Shrikant Himatsingka: See vis-à-vis these things move Q on Q so I would say directionally it will reduce as a proportion, but, you know, I cannot comment on a specific movement Q on Q. So directionally it should reduce as a proportion.

Sunil Rawtani: And a brief on the inventory levels, we have been trying to improve it, so what's the progress and how do we foresee it in the near future, proportionately in the absolute growth?

Mr. Shrikant Himatsingka: We will be happy to take that offline Sunil.

Sunil Rawtani: Fine. Thank you. That's all.

Mr. Shrikant Himatsingka: We have been directionally reducing inventory over the last couple of Qs, maybe three-four quarters. And, the focus continues. So, we should directionally see it reduce, but on specific quantum, we will take it offline because that is a more complex question.

Sunil Rawtani: And how do we foresee any significant reduction in the working capital or as the terry towel comes, they improve and more into the streamline? Do we expect the working capital to go higher proportionately?

Mr. Shrikant Himatsingka: Well, terry will certainly as terry augments its utilization, it will certainly have a pool of working capital, but hopefully, with all the other measures we have taken on reducing working capital cycle will also see that getting offset so that will be our endeavor and therefore trying to hold it constant, if not improve.

Sunil Rawtani: And a ballpark figure for the residual Capex?

Mr. Shrikant Himatsingka: Ballpark figure for what, sorry?

Sunil Rawtani: The residual Capex you said will continue, so what would be that on an annual basis, for the Capex we have done, completed our Capex cycle.

Mr. Shrikant Himatsingka: I think from the main Capex, we still have ₹40-50 crores left and on an annual basis, you know, there will be some debottlenecking expenses required on the terry plant as we ramp up, some of the things, you know, will ramp up on a modular basis. So, somewhat close to ₹60-70 crores would be required going into FY21.

Sunil Rawtani: Okay.

Mr. Shrikant Himatsingka: At this point, is there any changes that we will update investors accordingly. And this is mainly for terry towels.

Sunil Rawtani: And the internal targets what we are seeing the debt to reduce in the coming two years.

Mr. Shrikant Himatsingka: We see close to ₹200 odd crores of reduction going to FY21 and the deleveraging pattern to continue thereafter.

Sunil Rawtani: And say for FY20 to a ballpark figure it would increase more than 200 or would remain? And grow up with the FY22?

Mr. Shrikant Himatsingka: FY 22?

Sunil Rawtani: Yeah.

Mr. Shrikant Himatsingka: So, it will continue to reduce, so if FY21 we hope to reduce close to ₹200-250 crores in net debt and we hope to continue the trend going into FY22 as well.

Sunil Rawtani: So, there would be a significant improvement or these figures would remain on the similar pattern.

Mr. Shrikant Himatsingka: Yes, I mean we will see…

Sunil Rawtani: Because by the time the terry towel would be fully into production.

Mr. Shrikant Himatsingka: Yes. So, I mean there will be reduction in our leverage by the numbers we just spoke about is what we are targeting to achieve.

Sunil Rawtani: Okay. Fine, that's all from us.

Mr. Shrikant Himatsingka: Thank you.

Moderator: Thank you, Sir. Ladies and gentlemen, if you have a question, please press star and one on your telephone keypad. Ladies and gentlemen, if you have a question, please press star and one on your telephone keypad. Sir, we have the next question from Anuj Sharma from M3 Investments, please go ahead.

Anuj Sharma: Yeah, hi. I just wanted to understand a bit more about the challenges in the upholstery business. If you can just detail as to, what are these challenges, how structural or cyclical they are and we expect them to resolve, how long do you think it will take?

Mr. Shrikant Himatsingka: It's a good question, Anuj, Very honestly it's a problem of legacy in terms of typically, , after certain amount of time, business models tire out in some cases, which is one such case. The revenues of that division have shrunk, and corrected significantly over the years, it's a small division for us, it's a, sub-hundred crore division, but the operating expense structure and so on is a little heavy, that's the classic syndrome that we are going through, it's something we are working on, so while we thought that some revenue correction will be seen in terms of improvements, we haven't seen that and the operating expense burden continues. So that's what's causing the impact. So that's really the nature of the concern in our Drapery and Upholstery division. Going forward, we will either elevate revenues and/or bring in certain new product segments into that division, in order to augment revenues. And continue to work on correcting the expense structure.

Anuj Sharma: Alright. But if you could just highlight some more thoughts into it, whether the demand itself has changed, or newer products have come between the model or more competitive environment…

Mr. Shrikant Himatsingka: It's a division that made luxury, drapery and upholstery products.

Anuj Sharma: Right.

Mr. Shrikant Himatsingka: Demand for which is significantly corrected, and the division needs to look at newer product platforms and offerings in order to stay current and therefore, it is taking time.

Anuj Sharma: Sorry just last one on this same particular, that demand had come down, has it been replaced by some other product or it is just that the demand, so if the demand has come off, it could be cyclical in nature, but if something, better, newer product alternative has come into being, it could be more structural so some lag into the reasons for demand fall?

Mr. Shrikant Himatsingka: No, it has structural correction in demand, , but at a company-specific level, it is beyond demand as such, I mean the specific products that we manufacture in that division, is seeing sluggish off take basically and so, we have to reinvent our product portfolio which is what we are in the midst of. And that's what's taking time. Just to give you all a broad idea, the legacy businesses on a nine-month basis have had a pre-tax impact of close to ₹45 crores, the niche businesses, our Italian arm and our Drapery and Upholstery arm.

Anuj Sharma: Alright

Mr. Shrikant Himatsingka: We had to take some interest provisions based on the slow disbursements by the central government running way behind schedule, so that has cost us ₹9 crores on a nine-month period. We have had the ₹36-crore impact on the MEIS, and of course we have had the initial challenges vis-à-vis terry ramp up in context to the impact on P& L. So, these are kind of challenges we have faced. As I said, our medium-term goals remain unchanged. The sheeting division while it seems some softness in the current case, we are working on addressing that over the next couple of quarters although Q4 will remain at similar levels. And till ramp up continues, the same division is doing well and hopefully, we will get some solutions going on our niche divisions. All this coupled together, should keep us intact for our broader goals on consolidated performance.

Anuj Sharma: Thank you.

Moderator: Thank you, sir. We have next question from Venkat Subramaniyan from Organic Capital. Please go ahead.

Venkat Subramaniyan: Hi, Sir. Thanks for taking my question. Our debt to EBITDA has gone to fairly dangerous levels now. The two levers that are useful here are obviously, you know, high revenue and margin improvement. What are we seeing directionally and you know, we have heard a lot of problems, but we haven't really heard solutions. How are we tackling this and what kind of outlook do you have?

Mr. Shrikant Himatsingka: Our comfort levels of Debt to EBITDA of 3.0 to 3.5. They are looking exaggerated right now Venkatesh because the terry towels just having come into commercial production. So, all that debt has come from capital WIP to play now. But consequently, EBITD as are yet to ramp up. So, as terry ramps up, we should be seeing corrections on that statistic. So, we were expecting some short-term aberration on the debt EBITDA because of the heavy Capex and that should correct going forward as terry ramps up. So basically, as I said, we look to being in the 3.0 to 3.5 times region. So, what will happen is, from one side, we will see ramp up of our facilities, from the other side, we will also see some deleveraging as I discussed and both put together, we will address the debt to EBITDA multiple.

Venkat Subramaniyan: That is below the EBITDA level Mr. Himatsingka, even at the EBITDA level, we have a challenge here. Because our revenues have shown significant softness and our margins have been heading southward actually for a couple of quarters now.

Mr. Shrikant Himatsingka: Significant softness. I don't know which numbers you are looking at, Mr. Venkatesh. Revenues are broadly stable and the debt to EBITDA is at the EBITDA level, right? So, I don't know what...

Venkat Subramaniyan: I am saying, you know, when we have actually higher interest and higher depreciation.

Mr. Shrikant Himatsingka: Let me repeat myself. You referred to the net debt to EBITDA statistic. The net debt to EBITDA statistic will improve by the following. An increase in operating EBITDA on account of the enhanced utilization at our new plant and the deleveraging exercise that will take place as we go along because the majority of our Capex programs come to a close. Therefore, with the reduction of the numerator and the enhancement of denominator, the multiple will stand corrected. That's the point.

Moderator: Sir sorry to interrupt you. Sir, sorry to interrupt. The participant line is not active right now. Shall I take the next question, sir?

Mr. Shrikant Himatsingka: Yeah, please.

Moderator: Next question comes from; next question is a follow up question come from Nihal Jham from Edelweiss. Please go ahead.

Nihal Jham: Thank you so much, sir. Just wanted to understand that what is the kind of working capital build up that we will required for the towel business? Is it that certainly we will have to keep inventory which would be for say six seven months of next year's production by the end of the year, just want to understand that.

Mr. Shrikant Himatsingka: Yeah, let's do this. Why don't we get in touch offline because you know, understanding in fragments might just distort certain aspects of the total understanding. So, I request you to get in touch offline and we will be happy to take you through the model.

Nihal Jham: Sir, that will be helpful. Thank you so much.

Moderator: Thank you sir. Ladies and gentlemen, if you have a question, please press star and one on your telephone keypad. Ladies and gentlemen, if you have a question, please press star and one on your telephone keypad. Sir we have the next question from Jaydeep Verma, an individual investor. Please go ahead.

Jaydeep Verma: Hi, sir. Could you tell us a little, give us a little more flavor on MEIS for some of us doesn't really understand as much. It just wants to impact cash flows, for example, and remainder of the year or this is simply an accounting entry that has to be reversed. Also, this was supposed to be replaced by another scheme, what is your expectation from that? Will it make up for the reversals that you had?

Mr. Shrikant Himatsingka: On the first part of your question, Jaydeep, it is both an accounting and a cash impact for all companies. To the second point in your question, the government was supposed to roll out another scheme, for the replacement of RoSCTL with the RoDTEP scheme, the specific timelines for the roll out of the scheme is unknown although it should be in the near future. But your guess is as good as ours, because whatever we have said is in the public domain. We don't have an idea as to when the RoDTEP will be rolled out, but our understanding is that the MEIS having been removed, the RoSCTL will remain in force until any future scheme replaces it.

Jaydeep Verma: Alright. So RoDTEP roll out in the couple of months or quarters.

Mr. Shrikant Himatsingka: I am sorry your voice is breaking, but from what I could understand, , so yes, we expect it to roll out in the near future but we really don't know when. Maybe it's an integral part of the foreign trade policies. So, whenever that happen.

Jaydeep Verma: Thank you. Anyway it is beyond anyone's control. Thank you

Moderator: Thank you, sir. Ladies and gentlemen, if you have a question, please press star and one on your telephone keypad. Ladies and gentlemen, if you have a question, please press star and one on your telephone keypad. Since there are no further questions so we handover the floor to Mr. Shrikant Himatsingka for closing comments. Over to you, sir.

Mr. Shrikant Himatsingka: Well, as always, thanks everybody for taking the time. You know, I did notice that there are several queries that may not have been answered to your satisfaction or you might have, continue to have doubts. Do reach out and we will make sure that all your doubts and clarifications are answered. Thanks again, and we will catch up for next Q.

Moderator: Thank you sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha Conference Call service. You may disconnect your lines now. Thank you and have a pleasant evening!