Himatsingka Seide Limited

10/24, Kumara Krupa Road, High Grounds, Bangalore - 560 001, India.

Ref: SEC:0001:2:0436:KGN

February 17, 2015

Listing Department
Bombay Stock Exchange Ltd
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001

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

Dear Sirs,

Sub: Transcript of conference call.

Please find enclosed a copy of transcript of conference call held on 12-02-2015.

Please also note that the transcript of conference 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
Asso. Vice President – Treasury, Taxation
& Company Secretary

Encl: as above

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Himatsingka

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"Q3 Financial Year 2015 Results Conference Call"

February 12, 2015

Participants: Mr. KP Pradeep, President Finance and Group CFO;
Mr. Ashok Sharma, AVP Treasury, Taxation and Company Secretary
Mr. T G S Gupta, AVP - Finance

Moderator: Ladies and gentlemen, good day and welcome to the Himatsingka Seide Limited Q3 FY 2015 Conference Call, hosted by Macquarie Capital Securities. As a reminder all participant lines will be in the listen-only mode. 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 "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nitin Mohta from Macquarie Capital Securities. Thank you and over to Sir!

Nitin Mohta: Good afternoon everyone. It is our pleasure to host Himasingka Seide post results conference call and thank you very much for participating on it. To represent the company, we have with us today Mr. K. P. Pradeep, President – Finance and Group CFO, and Mr. TGS Gupta, Associate Vice President, Finance, Mr. Ashok Sharma, Associate Vice President, Treasury Taxation and Company Secretary. I would now like to hand over the call to the management team Mr. Pradeep the Group CFO for his opening comments followed by a Q&A session. Over to you Sir!

Company Speaker: Thank you Nitin. Good evening everybody. Thank you for joining the call. I would like to give you a brief summary of the third quarter results for FY 2015. I will walk you through and give the performance of the manufacturing divisions and then retail and distribution division followed by the consolidated performance of the Group.

The Q3 FY 2015 on the manufacturing and standalone performance the capacity utilization for bed linen plant stood at 89% and that for Drapery and Upholstery plant at 53%. For the third quarter ended December 2014 revenue from manufacturing operations is Rs.243.66 Crores which was Rs.265.24 Crores during the same period last year.

The total operating expenses, which includes the employee benefit expenses, depreciation and other expenses for the quarter stood at Rs.69.08 Crores. This was Rs.68.77 Crores in the same quarter last year.

The employee benefit expenses were Rs.22.64 Crores versus Rs.25.40 Crores in the same quarter of the previous year. The reduction was mainly due to manpower reduction in the bed linen manufacturing facility.

Depreciation and amortization stood at Rs.8.92 Crores versus Rs.11.67 Crores for the same quarter last year, a reduction of Rs.2.75 Crores. The reduction was on account of change in the useful life of assets which was pursuant to the New Company's Act 2013 and this closed during the first quarter of FY 2015.

Other expenses stood at Rs.37.52 Crores versus Rs.31.70 Crores in the same quarter last year, an increase of 5.82 Crores. This increase was due to Rs.3.76 Crores on account of manufacturing expenses given the increase of sales of surplus power at the plant and Rs.2.06 Crores of increase in selling expenses.

The foreign exchange fluctuation resulted in a gain of Rs.3.41 Crores in the current quarter vis-à-vis a loss of Rs.11.72 Crores in the previous year mainly on the account of the difference between prevailing spot rate and the realized rate.

The EBITDA including other income from manufacturing operations increased by 29.3% to Rs.49.22 Crores versus Rs.38.07 Crores during the same period in the last year. EBITDA as a percentage of sales stood at 20.2% this quarter versus 14.4% in the same quarter last year.

The EBIT including other income from manufacturing operations increased by 52.6% to Rs.40.30 Crores versus Rs.26.40 Crores during the same period in the last year. The EBIT as a percentage of sales stood at 16.5% this quarter versus 10% in the same quarter last year.

Standalone interest and finance charges for Q3 FY 2015 decreased by 9.5% to Rs.10.07 Crores from Rs.11.13 Crores during the same quarter last year. The increase in interest on account of change in the working capital cost due to a switch from foreign currency denominated working capital to INR dominated working capital. In addition, there was an interest reset on tough loans which impacted our YOY interest outflow. This change increased our interest outflow by 1.09 Crores YOY. These interest outflows were partially offset by scheduled term loan repayments. On a net basis interest outflow grew from Rs.6.76 Crores to Rs.7.75 Crores year-on-year.

The decrease in finance charges is on account of the change in payment terms from Letters of credit to cash on delivery for certain critical inputs thereby reducing finance charges from 1.45 Crores to Rs.0.78 Crores year-on-year.

Forex loss recognized as interest under the Accounting Standard 16 is Rs.1.54 Crores versus Rs.2.92 Crores in the same quarter previous year. So in total you have a reduction from 11.13 Crores to Rs.10.07 Crores for this quarter.

The standalone profit after tax for Q3 FY 2015 increased to Rs.30.23 Crores from Rs.15.27 Crores during the same period in the last year, an increase of 98%.

On the year-to-date, nine months on the standalone manufacturing performance the capacity utilization for bed linen plant stood at 89% and that for Drapery and Upholstery plant 55%.

For the year ended December 2014 revenue from manufacturing operations is Rs.723.51 Crores versus Rs. 730.37 Crores during FY 2014.

Total operating expenses which includes employee benefit expenses, depreciation and other expenses for the nine months increased by 1.9% to Rs.202.91 Crores versus Rs.199.04 Crores in the previous year.

Employee benefit expenses stood at Rs.71.47 Crores versus Rs.71.82 Crores in the previous year. Depreciation and amortization stood at Rs.27.2 Crores versus Rs.25.17 Crores in the previous year, a reduction of Rs.7.97 Crores.

The reduction was on account of the change in the useful life of assets pursuant to the new Company's Act 2013 which closed during the first quarter of FY 2015.

Other expenses stood at Rs.104.24 Crores versus Rs.92.05 Crores in the previous year, an increase of Rs.12.19 Crores. This increase is due to Rs.11.68 Crores on account of manufacturing expenses given the increase sale of surplus power from our captive power plant, and selling expenses of Rs.0.51 Crores .

Foreign exchange fluctuation resulted in a gain of Rs.17.41 Crores in the current year vis-à-vis a loss of Rs.21.94 Crores in the previous year mainly on account of the difference between prevailing spot rate and realized rate.

The EBITDA including other income from manufacturing operations increased by 26.4% to Rs.138.12 Crores from Rs.109.23 Crores during the previous year.

EBITDA as a percentage of sales stood at 19.1% this year versus 15% in the previous year. The earnings from interest and cash including other income from manufacturing operations increased by 49.8% to Rs.110.92 Crores from Rs.74.06 Crores during the last year. EBIT as a percentage of sales stood at 15.3% this year versus 10.1% in the previous year.

Standalone interest and finance charges decreased by 13% to Rs.30.51 Crores from Rs.35.07 Crores in the previous year. The decrease of 30.51 Crores from 35.07 Crores during the same period last year was on account of one the increase in interest is on account of change in working capital cost due to a switch from foreign currency denominated working capital to INR dominated working capital.

This change increased interest outflow by Rs.4.61 Crores year-on-year. In addition, there was an interest reset on our tough loans, which impacted the year-on-year interest outflow. These interest outflows increase was partially offset by scheduled term loan repayment and so on a net basis interest outflow grew from Rs.20.24 Crores to Rs.24.97 Crores year-on-year.

There has been a decrease in finance charges on account of a change in payment terms for letter of credit to cash on delivery for certain critical input of Rs.2.32 Crores and one time loan origination cost of Rs. 1.92 Crores charged in depreciation thereby reducing finance charges from Rs.6.05 Crores to Rs.1.81 Crores YOY.

Forex loss recognized as interest in the Accounting Standard 16 is Rs.3.73 Crores versus Rs.8.78 Crores in the previous year, the 35.07 Crores from December 2013 dropping down to 31.51 Crores in the current year, nine months.

The standalone PAT for the year increased to Rs.80.41 Crores from Rs.38.99 Crores during the last year, an increase of Rs.106 lakhs.

Coming to the Quarterly retail and distribution performance, the revenue from our retail and distribution business in North America, during the quarter

decreased by 2.9% to Rs.394.38 Crores versus Rs.405.97 Crores during the same period last year.

The revenue for the distribution division in Europe were at Rs.16.86 Crores for the quarter compared to Rs.23.86 Crores in the previous year, a reduction of 29.3%.

The revenue for the distribution division in India Asia is represented by Atmosphere for the quarter was Rs.11.39 Crores versus Rs.14.39 Crores during the last year. It is a decrease of 20.9%.

The total revenue from the retail and distribution division stood at Rs.422.63 Crores versus Rs.444.22 Crores in the same quarter last year, a reduction of 4.9%.

The EBITDA on a consolidated basis for the retail and distribution stood at Rs.16.86 Crores in the current quarter versus Rs.14.45 Crores in the same quarter of the previous year, an increase of 16.7%.

On a year-to-date retail and distribution performance for the nine months the revenues from our retail and distribution business in North America, during the year was Rs.1248.71 Crores versus Rs.1259.37 Crores during the same period last year.

The revenue for the distribution division in Europe was Rs.66.45 Crores for the year versus Rs.75.51 Crores in the previous year.

The revenue for the distribution division in India Asia is represented by Atmosphere for the year was Rs.36.29 Crores versus Rs.39.78 Crores during the last year.

The total revenue from the retail and distribution divisions stood at Rs.1351.45 Crores versus Rs.1374.66 Crores in the same period last year, a reduction of 1.7%.

The consolidated EBITDA for the retail and distribution division stood at Rs.46.24 Crores in the current year versus Rs.56.88 Crores in the same period last year, a decrease of 18.7%.

Coming to the Group consolidated performance for the quarter FY 2015 the Group consolidated revenues reduced by 7.4% to Rs.465.49 Crores versus Rs.502.57 Crores of the same quarter last year.

The total consolidated operating expenses, which include employee benefit expense, depreciation and other expense for the quarter stood stable at Rs.134.39 Crores versus Rs.134.77 Crores in the previous year.

The employee benefit expense stood at Rs.45.93 Crores versus Rs.50.64 Crores in the previous year, a decrease of Rs.4.71 Crores. Depreciation and amortization stood at Rs.11.49 Crores versus Rs.13.82 Crores in the previous year, a reduction of 2.33 Crores, the reduction being on account of a change in

the useful life of assets pursuant to the new Company's Act 2013 and this closed during the first quarter of FY 2015.

Other expenses stood at Rs.76.97 Crores versus Rs.70.31 Crores in the previous year, an increase of Rs.6.66 Crores. This increase was due to Rs.3.76 Crores on account of manufacturing expenses given the increase sale of surplus power and Rs.2.90 Crores on account of increased cost associated with the acquisition of licenses for new brands in the North American operations.

Foreign exchange fluctuation resulted in a gain of Rs.3.36 Crores in the current quarter vis-à-vis a loss of Rs.10.57 Crores of the previous year mainly on account of the difference between prevailing spot and realized rates.

The consolidated EBITDA including other income increased by 2% to Rs.55.71 Crores compared to Rs.54.63 Crores in the same quarter last year.

EBITDA as a percentage of sales stood at 12% this quarter. EBIT including other income for the quarter increased by 8.3% to Rs.44.22 Crores from Rs.40.81 Crores during the same period last year.

The EBIT as a percentage of sales stood at 9.5% this quarter versus 8.1% in the same quarter last year.

Interest and finance charges for the quarter showed a marginal increase to Rs.21.66 Crores from Rs.20.63 Crores from the previous year. The consolidated profit before tax for the quarter is at Rs.22.56 Crores compared to Rs.20.18 Crores in the same quarter last year.

Profit before tax after exceptional items to consolidated profit before tax for the quarter is at Rs.22.56 Crores compared to Rs.18.61 Crores in the same quarter last year. The consolidated profit after tax and minority interest is Rs.24.51 Crores for the quarter compared to Rs.17.21 Crores during the previous year.

To come to the year-to-date Group consolidated performance, the consolidated revenues for the nine months ended December 31, 2014 reduced by 2.9% to Rs.1485.94 Crores as compared to Rs.1530.05 Crores in the previous year.

Total operating expenses which includes employee benefit expenses, depreciation and other expenses for the year was Rs.405.31 Crores versus Rs.407.28 Crores from the previous year. Employee benefit expenses stood at Rs.144.88 Crores versus Rs.149.04 Crores in the previous year, a decrease of Rs.4.16 Crores.

Depreciation and amortization stood at Rs.34.33 Crores versus Rs.40.75 Crores in the previous year, a reduction of Rs.6.44 Crores. The reduction being on account of the change in useful life of the assets pursuant to the New Company's Act 2013 as this closed during the first quarter of FY 2015.

Other expenses stood at Rs.226.10 Crores versus Rs.217.49 Crores in the previous year, an increase of Rs.8.61 Crores. Increase was due to Rs.11.68 Crores on account of manufacturing expenses given the increase sale of the surplus power, Rs.7.35 Crores on account of increased cost associated with

accquisition of licenses for new brands in the North American operations offset by reduction of around Rs.10.42 Crores on account of optimization on our operational cost at our European subsidiary.

Foreign exchange fluctuation resulted in a gain of 17.47 Crores in the current year vis-à-vis a loss of 20.42 Crores in the previous year on account of the difference between prevailing spot and realized rates.

The consolidated EBITDA was at Rs.165.38 Crores compared to Rs.163.59 Crores in the previous year, a growth of 1.1%. EBITDA as a percentage of sales stood higher at 11.1% this year vis-à-vis 10.7% in the previous year.

The EBIT including other income had increased by 6.7% to Rs.135 Crores from Rs.122.84 Crores during the last year. EBIT as a percentage of sales stood at 8.8% this year. This is 8% in the previous year. The interest and finance charges were at Rs.62.15 Crores versus Rs.61.17 Crores in the previous year. The consolidated profit before tax for the year is at Rs.68.9 Crores compared to Rs.61.67 Crores in the previous year.

The consolidated profit before tax for the year is at Rs.68.9 Crores compared to Rs.68.10 Crores in the previous year. Consolidated PAT for the year is at Rs.69.58 Crores compared to Rs.51.80 Crores in the previous year, a growth of 34%.

The total gross debt outstanding as of December 31, 2014 is Rs.839 Crores, Rs.415 Crores being the term debt and Rs.424 Crores being the work in capital debt. The company's effective cost of debt is at 6.52% per annum as compared to 6.42% in the previous quarter.The net debt stand at Rs. 807 crores. During the year term debt repayment was Rs.77.08 Crores.

I am also happy to inform that in the last quarter our debt rating agency, CRISIL upgraded our rating for the long-term debt of the company from BBB+ with stable outlook to a A- with stable outlook and on the short-term debt we moved up to an A2+ from A2.

This sums up the performance for the quarter and the nine months ended December 31, 2014. I will hand back to the moderator and will be glad to take questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Bhautik Chauhan from Span Capital Services. Please go ahead.

Bhautik Chauhan: Couple of questions from my side. On European side we have seen a drop of 29% in revenue vis-à-vis last year. Sir can you give us some key reasons and what would be the outlook going forward?

Company Speaker: The Revenue base on our European operations is typically small so in percentage terms the swing appears large. The drop is attributed to some timing issues in terms of certain sales that were to be booked in the quarter. I expect the sales to be soft over the next few quarters.

Bhautik Chauhan: So, my next question pertains to manufacturing business. Revenue has degrown by 8% this quarter vis-à-vis last year so if you can throw some light on that?

Company Speaker: On the manufacturing side you again have timing issues relating to certain sales to be booked for the quarter. You can expect to see the sales stabilize over the next few quarters.

Bhautik Chauhan: My last question pertains to EBITDA margins. It has improved this quarter vis-à-vis last year. Sir, do we see margin improvement going forward?

Company Speaker: You are talking from a manufacturing standpoint?

Bhautik Chauhan: From the consolidated part?

Company Speaker: We should expect to see stable margins about the same region going forward.

Bhautik Chauhan: That is all from my side. I will come in the queue.

Moderator: Thank you. The next question is from the line of Resham Jain from B&K Securities. Please go ahead.

Resham Jain: Thank you Sir. Sir, I have three questions. One is on the tax rate. What we have understood previously is that being in SEZ post FY 2014 we were supposed to pay taxes or our tax rate is going to increase year-on-year, but still we are seeing on the standalone side profit like taxes almost zero there. So do we see a tax going up in the next year?

Company Speaker: Resham, I do not anticipate tax rates going up in a significant fashion for the standalone. .

Resham Jain: Second question is with respect to North American distribution business in the initial part we mentioned that there are certain overheads due to the reorganization initiatives and expenses related to brand designing and development? Can we have a breakup that out of the total EBITDA which we reported how much of the expenses is because of not one time, but because of this additional initiatives which we took during the quarter?

Company Speaker: There are various initiatives covering both strategic and operational in the North Americas. We can take the details of the break up offline Resham,

Resham Jain: Sir third question is on working capital. We have seen that revenue growth has been muted both in manufacturing as well as in distribution business and despite that we have seen increase in working capital debt by almost 100 Crores and we were mentioning during the previous commentaries also we mentioned that the inventory will come down gradually over the next few quarters. So what will be your take on that?

Company Speaker: You will see a reduction in inventory over the next few quarters with its consequential impact on the working capital. I anticipate this should be by the end of the half year FY 16.

Resham Jain: Because compared to the last quarter also the debt figure has gone up by almost 60 Crores. So is it because of currency rates or is it because our revenue has not grown so just wondering what would be the reason for this?

Company Speaker: As explained on earlier calls there was a buildup of inventory on some programs and this should see a gradual drop going forward.

Resham Jain: Thank you very much Sir. Thank you.

Moderator: Thank you. The next question is from the line of Dhwanil Shah from I-Wealth Management. Please go ahead.

Dhwanil Shah: Good evening Sir. Sir, my question is more regarding the overall North American businesses. If you could just give some update, I mean what is happening on the ground level side in North America? Then I can shoot some more questions.

Company Speaker: We are going through various initiatives, which encompass organizational restructuring, positioning a larger brand portfolio, providing allied product development and design capabilities, integrating supply chain and warehousing capabilities, we were in two locations and we have moved down to one location, and reorienting brand positioning and pricing. We have gone public that we would like our brand revenues to double over the next two to three years. So apart from that we have initiatives linked to introduction of an overall ERP SAP infrastructure that we are launching in the Q4 of FY 2015. So I think these initiatives will in the long run give the group a more brand focused, leaner and more efficient distribution platform to drive our growth. Given all these initiatives we look forward to an interesting FY 2016.

Dhwanil Shah: Sir the muted quarters, few quarters could be because of that?

Company Speaker: That is right.

Dhwanil Shah: So going ahead you are seeing that the growth which we were doing before say 15% odd we should be able to do that Sir? Is that a right assumption?

Company Speaker: I would not want to comment on a particular percentage, we however look forward to a stable FY 16.

Dhwanil Shah: Sir in terms of cotton prices coming down so how do we see our margins? Is the cost pass through or we would be able to gain because of the cotton prices coming down?

Company Speaker: The prices have softened by at least 10% from Q1. The entire impact is yet to be digested by us in terms of results and we hope to see a small upside on the raw material front going forward. So I hope that answers your question.

Dhwanil Shah: That is it from my side. I will join back the queue.

Moderator: Thank you. The next question is from the line of Arjun Sengar from Reliance Mutual Fund. Please go ahead.

Arjun Sengar: Good evening Sir. I missed the debt figures that you had stated in your initial comment. Can you please repeat that, your term debt and your working capital debt?

Company Speaker: Total gross debt outstanding as of December 31, 2014 is Rs.839 Crores, Rs.415 Crores being the term debt and Rs.424 Crores being the working capital debt. The company's effective cost of debt is at 6.52% and our net debt is at 807 Crores.

Arjun Sengar: 807 Crores?

Company Speaker: It is the net debt. It is net of treasury.

Arjun Sengar: That is it. Thanks.

Moderator: Thank you. The next question is from the line of Nihal Jha from Edelweiss Securities. Please go ahead.

Nihal Jha: Good evening Sir. Sir, just wanted to understand if you could elaborate a little more on the performance of DWI and Divatex individually?

Company Speaker: We normally provide information from our consolidated North American operations. So Nihal, if you have specific queries on the individual divisions, we can take it offline.

Nihal Jha: Sure Sir. That should be from my side.

Moderator: Thank you. The next question is a followup from the line of Dhwanil Shah from I-Wealth Management. Please go ahead.

Dhwanil Shah: Sir, I had one question regarding in the earlier calls we were discussing on the capex part and we might go for capacity expansion. Sir anything on the board right now or we are still thinking about it?

Company Speaker: Our normal organic capex should be in the region of around 15 to 20 Crores and in terms of any expansion there is nothing on the cards at the moment. We will come back to you at a more opportune time when we have finalized our plans.

Dhwanil Shah: Sir, anything on the debottlenecking we have done currently?

Company Speaker: That is an ongoing exercise at the plant and there is nothing specific to mention.

Dhwanil Shah: I will call you offline. I have a few questions. Not a problem. Thank you Sir.

Moderator: Thank you. As there are no further questions, I now hand over the floor over to the management for closing comments.

Company Speaker: Thank you all for taking the time to join us. We look forward to interacting with you at the end of our Q4 results. Thank you very much.

Moderator: Thank you. On behalf of Macquarie Capital Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.