

Himatsingka Seide Limited

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

Ref: SEC:0001:2:12867:KGN

February 1, 2012

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Bombay Stock Exchange Ltd
Phiroze Jeejeebhoy Towers
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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

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The Bangalore Stock Exchange Ltd
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Dear Sirs,

Sub: Transcript of conference call.

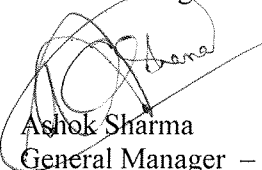
Please find enclosed a copy of transcript of conference call held on 27-1-2012.

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

This is for your information & records.

Thanking you,

Yours faithfully,
For Himatsingka Seide Limited



Ashok Sharma
General Manager – Treasury, Taxation
& Company Secretary

Encl: as above



Himatsingka Seide Limited
10/24, Kumarakrupa Road, High Grounds, Bangalore 560 001

3Q FY12 Earnings Conference Call

January 27, 2012

SPEAKERS: Mr. Shrikant Himatsingka, Executive Director**Mr. K.P. Pradeep, Senior Vice President (Finance) & Group CFO****Mr. Ashutosh Halbe, AVP – Corporate Accounts****Mr. Ashok Sharma, GM – Treasury, Taxation and Company Secretary****Moderator:**

Good morning, ladies and gentlemen. I am Anchal Rastogi, the moderator of this call. Thank you for standing by and welcome to the 3QFY12 Earnings Conference Call of Himatsingka Seide Limited hosted by Macquarie Capital Securities. For the duration of presentation, all participants' lines will be in a listen-only mode and there will be a presentation followed by a Q&A session. I would like to now hand over the conference call to Mr. Amit Mishra from Macquarie. Over to you, sir.

Amit Mishra:

Good morning, everyone. It's our pleasure to host the call today. From the management team, we have Shrikant Himatsingka, Executive Director; Mr. KP Pradeep, Group CFO; Mr. Ashutosh Halbe, AVP – Corporate Accounts; and Mr. Ashok Sharma, GM – Treasury. Now to start off, I will hand over the call to Mr. Pradeep who will first give us a brief background to the results and then the management team will the Question-&-Answer. Over to you, sir.

KP Pradeep:

Good morning, everyone. Thank you for joining the call. I would like to give a brief summary on our third quarter FY12 results. I will take you through the performance on the manufacturing division and then we go through the performance on our retail and distribution divisions. And finally, we will look at our consolidated performance of the group.

For the third quarter ended December 2011, our manufacturing revenues came in at 183 crores versus 111.5 crores during the same period last year. On a year-on-year basis, manufacturing has shown a steady performance growing approximately 64% on revenues. The EBITDA in the manufacturing division has come at 32.09 crores for the quarter versus 6.1 crores during the same period last year. On a year-on-year basis, the EBITDA and manufacturing has shown a 426% growth. The EBITDA margin for the quarter was 17.5% as against 5.4% in the previous year.

The improvement in the EBITDA in our manufacturing business has been on account of higher plant utilization - to give you some numbers, in the drapery and upholstery division, our plant utilization was in the region of 54% and in the bed linen Plant the capacity utilization was around 85%. The improved

product mix in our drapery and upholstery manufacturing division and our bedding manufacturing division enhanced realization adding to the EBITDA. Lastly, the reduction in cotton yarn prices between 6 to 8% on a weighted average basis during the July to September '11 period in the bed linen business has resulted in a positive impact of 7 crores over the previous year. So to recap on the third quarter, we closed manufacturing with 183 crores in revenue and 32.09 crores in EBITDA versus 111.50 crores in revenue and 6.1 crores in EBITDA during the last year.

On the distribution side of the business, we have clocked steady growth in the North American markets which include the United States, Canada and Mexico. Our total revenues for North America during the quarter stood at 331.73 crores versus 219.67 crores last year, a growth of 51%. The Divatex division which addresses the private label business grew 57% to 248.29 crores versus 158.19 crores last year; and our DWI division which is in the branded segments grew to 83.44 crores versus 61.5 crores last year, a growth of 35.7%.

The EBITDA for the North American distribution division have come in stable for the quarter at 15.98 crores versus 13.66 crores during the last quarter, a growth of 16.9%. The EBITDA margin for the quarter was 4.8% as against 6.2% in the previous year. The impact of higher raw material prices in the past have resulted in a slight compression of margin here. We continue to see stable demand for our brands Calvin Klein, Barbara Barry and Esprit as well as our private label business across the United States, Canada and Mexico.

As regards the distribution business across India and Asia as represented by the “atmosphere” brand the revenues for the quarter were 13.15 crores versus 11.56 crores during the last year, a growth of 12.9%. The EBITDA for the quarter was lower at 9.3% versus 17.8% in the previous year, the lower EBITDA on account of higher advertising and promotion activity during the quarter.

The revenues of the distribution division in Europe came in at 28.41 crores versus 27.65 crores in the previous year. The EBITDA loss for the quarter was 1.68 crores as against 65 lacs in the previous year. The European demand continues to be weak and we anticipate this situation continuing, going forward at least for the next few quarters.

On a consolidated basis, the company clocked revenues of 401.17 crores versus 295.46 crores in the previous year, a growth of 35.8%. The consolidated EBITDA for the quarter stood at 41.68 crores versus 20.9 crores in the previous year, a growth of 99.5%. The EBITDA margin stood at 10.38% for the quarter versus 7.07% in the previous year. Consolidated pre-tax earnings from operations stood at 15.5 crores for the quarter versus a loss of 4.72 crores during the previous year, a movement of around 20-21 crores. The consolidated profit after tax and minority interest stood at 11.21 crores for the quarter versus a loss of 8.1 crores during the previous year. This was the consolidated quarter performance.

For the nine months ended 31st December 2011 the consolidated position is, revenue is 1092.56 crores versus 957.32 crores in the previous year, a growth of 14.1%. EBITDA is 107.87 crores versus 80.02 crores in the previous year, a growth of 34.8%. EBITDA margin is at 9.8% versus 8.4% in the previous year, and the profit after tax is at 31.02 crores versus a loss of 5.07 crores in the previous year.

On the balance sheet front, year-on-year our loan has come down by approximately 100 crores. The total debt outstanding as of 31st December 2010 stood at 771.4 crores; and that has reduced to 676.18 crores as of 31st December 2011. The servicing cost has come down in line with the reduction in debt. The effective cost of debt for the company is at 5.4%.

As regards the Capex, manufacturing capex in the normal organic sense is estimated to be over the next 12 months in the region of around 15 crores. The retail and distribution CapEx is expected to be in the region of around 3 crores.

Our overall performance is steady and our manufacturing order books continue to be strong. The manufacturing order book for the Bedding division stands at approximately 158 crores. And our upholstery and drapery division order book is at 17 crores. So our order book situation in total is at 175 crores on the manufacturing front. Our order book across our retail and distribution divisions in North America, Europe and Asia also appears steady.

On the raw material front, the 2011-12 cotton crop in India has been strong and it is estimated to come in at 356 lacs bales as against 325 lacs bales in the last year per industry estimates. However, since the government has released additional quota on export and due to sluggish arrival of cotton into the market,

domestic cotton yarn prices have seen an upward movement in the last two months. Prices have moved up approximately 15-20%. We continue to optimize cost of our yarn purchases by tapping other geographies like China, Pakistan and Egypt for our purchases. Prices have seen a slight correction of around 3.91%. Prices of other fibers such as linen, polyester, viscose, acrylic have remained stable.

On the foreign exchange front, we are covered for the next five months at an average rate of around Rs. 50. As you are aware, we have one derivative contract still remaining that has a current MTM of 20.15 crores and that has been fully provided for. We started providing it from the last quarter onward.

I would like to close with this and I will be glad to take any question that you may have.

Moderator:

Sure, sir. Participants who wish to ask question, please press “0” “1” on your telephone keypad and wait for your name to be announced. If you wish to cancel your request, please press “0” “2”. I repeat, participants who wish to ask questions, please press “0” “1” on your telephone keypad. The first question is coming up from Neelesh Surana from Mirae Asset. Neelesh, please go ahead and ask your question.

Neelesh Surana:

This is regarding EBITDA. You mentioned 32 crores for the standalone entity and another 15 crores mainly coming from the distribution business. Is there any one-time adjustment related to ForEx index because there is a ForEx element before EBITDA?

KP Pradeep:

Can you repeat, Neelesh, you were not audible.

Neelesh Surana:

What would be the normalized business operating EBITDA for the quarter, net of ForEx adjustment? There is a lying item of 4.14 crores of foreign exchange gain before EBITDA which is pertaining to your balance sheet ForEx contract. Is it related to the current quarter operation prior to that contract?

KP Pradeep:

Neelesh, these foreign exchange fluctuations are on account of realized losses during the quarter and are related to current quarter operations. We have booked forward dollars and quarter end restatement may result in a loss or profit. These unrealized losses/profits have been adjusted in the balance sheet.

It is difficult to estimate as to how much of these provisions on unrealized basis as at quarter end will end up as realized losses

in the next quarter as this would be dependant on the movement of exchange rates in that quarter.

Neelesh Surana: Okay. At the same time there is a gain of 9.21 crores. So if we have to understand the underlying operating margins without taking prior period contracts, this is what we have to deduce 9 minus 4, I mean, about 5 crores is to be added to EBITDA?

KP Pradeep: We can take this offline, Neelesh if you are ok with that.

Neelesh Surana: Sure. Thank you.

Moderator: Participants, if you wish to ask any other question, please press “0” “1” on your telephone keypad. I repeat, “0” “1” to ask your question and “0” “2” to cancel your request. Now we have Mr. Rajesh Pherwani from ALC Asset Management to ask a question. Please ask your question, sir.

Rajesh Pherwani: This is Rajesh Pherwani from HDFC Asset Management. The top line growth has been very good for the distribution business as well. So, how sustainable is this growth going forward and what is the outlook for next year if you can help us?

Shrikant Himatsingka: Rajesh, as you are aware in our industry, there are movements between quarters, and there is an element of seasonality. Sure, the growth has come in fairly robust, and we will continue to focus on organic growth. So, I think, going forward, on a year-on-year basis, we should continue to see reasonable organic growth coming in from our distribution divisions.

Rajesh Pherwani: The US has also performed very well for you? Is that driven also by the raw material cost being passed through? How much is the volume growth in the business at this point?

Shrikant Himatsingka: The US has done well. I think that demand has been robust in the entire North American region. The United States *per se*, Canada and Mexico, all three have seen an upswing in demand. So we continue to see stability on that front vis-à-vis demand. And as far as determining volume growth on distribution, that will be a little complicated. We can work it out for you except that there will be many kinds of products and categories of products and so on. So, off hand, I would not be able to tell you the volume growth which is much easier to talk about on the manufacturing side.

But there definitely has been 30% to 40% volume growth in the United States. The growth is also reflecting some passing on of

crisis as we had seen higher raw material prices and, therefore, the product prices have also gone up. But of the total 51% growth that North America has clocked over 30% plus would come from volume.

Rajesh Pherwani: And what would be the figure for manufacturing?

Shrikant Himatsingka: Manufacturing, we have seen a growth of approximately 15% in process throughput on our bedding plant. And our drapery and upholstery plant has been flat for the quarter.

Rajesh Pherwani: How are these figures for the nine months?

Shrikant Himatsingka: For the nine months, the upholstery and drapery division has actually been quite flat, Rajesh; and we have seen increase in constant currency realizations by approximately 12%, and we have also seen an increase in rupee realization by around 4-5% while the volume has been flat. In the bedding division, we have seen approximately 18% year-on-year increase on a nine-month basis. And in addition, we have also seen increase of close to 8-10% on a constant currency basis. And we have also seen approximately 3.5-4% on rupee realization.

Rajesh Pherwani: Okay. The figures that you gave me for the distribution business are for the quarter or for the nine months earlier?

Shrikant Himatsingka: For the quarter.

Rajesh Pherwani: Okay. If you can help me with the nine months for US as well, volume as well.

Shrikant Himatsingka: The growth for nine months on a constant currency basis we have seen an increase of \$287 million versus a \$158 million last year. So that is a growth of approximately 18.5% year-on-year. And if we estimate that on a nine-month basis, the volume growth has been in the region of 10% plus. As I said, the volume will be difficult to ascertain because there are many kinds of product classes. There are independent pillow cases. There are flat sheets. They are fitted sheets. There are bedding products, accessories and so on. On a volume basis, it is a difficult statistic to provide but we can compile it for you. It will be in the region of over 10%.

Rajesh Pherwani: What would be the current year's CapEx and next year's CapEx going forward?

- Shrikant Himatsingka:** As our group CFO mentioned, the estimated CapEx on the manufacturing front will be around 15 crores over the next 12 to 14 month-period.
- Rajesh Pherwani:** I think I got that.
- Shrikant Himatsingka:** So we do not see any material CapEx going forward. I think, Rajesh, the focus of the group remains in being able to sweat its assets both on the manufacturing and distribution fronts. That is our real focus. We have a very large upside on the drapery and upholstery plant because the utilizations are low. So we are focusing on trying to get utilizations up and this will not entail any CapEx and will very significantly impact our operating results as it goes up in utilization. We are focusing to further optimize our bedding and manufacturing capacity utilizations, debottlenecking of the plant and sweating of the entire manufacturing asset base. And on the distribution front, we will continue to focus on penetrating our markets and gaining market share and being able to scale on that front.
- Rajesh Pherwani:** Okay. Thank you so much.
- Moderator:** Thanks, Rajesh. The next in the queue we have is Janki Raman from Franklin Templeton. Please go ahead, sir.
- Janki Raman:** Morning, gentlemen. If you can throw a bit more light on this flat utilization and the silk drapery business? Was it mainly on account of the weak consumer demand in US? What led to the flat volume growth?
- Shrikant Himatsingka:** To be candid, we have not seen a robust pick up as far as volume is concerned in that division. As you are aware, it is a luxury fabrics division which makes upholstery and drapery product, and it basically has two important customer bases. One supplies to the group brand atmosphere. 90% of the products or 85% of the products sourced by Atmosphere is coming in from this plant. And the other stream is of course third party brands across the world. So, all in all, we have seen a flattish demand across these two buckets. And this is after the global slowdown we witnessed a year-and-a-half ago. The after-effect of it seems to be lingering on. However, we are working on changing our product mix and aligning to current demand trends. And typically we should see an organic movement in this front going forward. That is how we look at it. What is the flatness attributed to? I think, it is clearly attributed to very stable demand in that segment at this point, and our market share remaining flat as well. Historically, this has not been the case

clearly. We have been running that division at over 75% in the past for a long, long time, and this correction that we witnessed the last time around is taking a little bit of time to pick up. Just to bring to light, that was our legacy business, and the EBITDAs in that business were stable in the region of 35% for close to 12 years. So, once we scale back to 70% plus utilization in that division even with the current cost structure the EBITDAs will go back to that level for that division. Just to give you an idea, if I look at an average, that division works on a gross margin of between 65-70%. So even if we add 40 crores in top line to that division, which as an absolute number is small, it will have an impact of close to 22 crores on EBITDA from that division alone. So we are focused on enhancing our operating performance for that division and we are looking to scale it back to where it should be , gradually.

Janki Raman: You also mentioned that the overall debt has come down by about 100 crores on a year-on-year basis.

Shrikant Himatsingka: That is right.

Janki Raman: Was this deleveraging mainly done through the cash flow generated by the operations?

Shrikant Himatsingka: That is right.

Janki Raman: So employing that, right now the business is in a free cash flow kind of a stage?

Shrikant Himatsingka: Well, I would say that the business is generating cash flow which is being deployed to bring down debt. Most of our CapEx investments on the acquisition front are concluded, as you know, and at this point we are really focusing on utilizing our assets across manufacturing and distribution more effectively and clocking growth, doing that while focusing on bringing down debt.

Janki Raman: Right. I think the footnote in the recent release also mentioned that you have initiated closure proceedings for the Italian distribution business.

Shrikant Himatsingka: That is right.

Janki Raman: Is there any cost that is going to be associated with that decision?

- KP Pradeep:** No. This is a subsidiary of our Italian business. This subsidiary is under a liquidation procedure and has been so for some time now. The liquidation does take time given the legal process in Italy. It is a zero situation here and there are no associated costs.
- Shrikant Himatsingka:** This is not our operating business in Europe, our operating business is Giuseppe Bellora SpA. This was a subsidiary of Giuseppe Bellora SpA which when we acquired was in liquidation and because of the procedural implications of liquidation in that geography, this note seems to be appearing since our acquisition.
- Janki Raman:** Okay. Got it. And you mentioned there is one derivative contract which is still pending, yet to expire. Has this been fully provided for?
- Shrikant Himatsingka:** That is right.
- Janki Raman:** Immaterial of the European movement, the company need not make any further provisions for this?
- Shrikant Himatsingka:** The company makes provisions from a quarter-to-quarter basis. At the end of the quarter if the mark-to-market is greater or lower than the provision that has already been made, then that suitably comes back into the P&L. But the main amount has been provided for from Q2. Are we clear on that?
- Janki Raman:** Sure. Late in calendar '10, I think the company was contemplating coming out with a fresh equity issuance. Given that out of existing business itself we have managed to deleverage quite significantly, where is the management stand on that tough process?
- Shrikant Himatsingka:** It is a good question. We did look at raising fresh equity to strengthen our balance sheet further, and the main reason was actually two-fold. One was to continue to allocate some capital to deleveraging and also to focus on retail growth. However, because of the deteriorating market conditions that prevailed in the capital market at that time, we held back from raising funds at that time. And since then we have just been focusing on deleveraging using our own internal accruals. Are we open to raising fresh equity? Maybe at an appropriate time we would be open.
- Janki Raman:** Right. Lastly, where does your Indian retail operation stand now in terms of store count?

Shrikant Himatsingka: Well, the India-Asia retail operations cover 15 stores. It is a luxury home textile brand. We have recently also launched our bedding products on these platforms. We have twelve stores that operate in India and three stores that operate internationally – one in Dubai, one in Singapore and one in Amman, Jordan. We would actually like to allocate a greater amount of a capital to grow this division going forward. But for the here and now, we are really focused on channeling our funds to deleverage even further, but growing our retail division aggressively remains very high on priority for us. We see tremendous opportunity with the Atmosphere brand. We had also announced our intentions of having a new brand which will be for the mid-end of the market. So we continue to do research and development on all those fronts and await an appropriate time to actually go forward with these plans.

Janki Raman: Excellent. Thank you, gentlemen.

Moderator: Thanks, Mr. Raman. Any other question from any other participant, they are requested to press “0” “1” on their telephone keypad. I repeat, “0” “1” to ask a question and “0” “2” to cancel your request. At this time, there are no further questions from the participants. I would like to now hand the floor back to Himatsingka team for final remarks. Over to you, sir.

Shrikant Himatsingka: Well, thank you all for joining in. I hope we have been able to answer all your questions. Please do not hesitate in getting in touch if you would like any further details. Neelesh, you had a question earlier, and we will be happy to answer it for you in greater details whenever it is convenient to you. We look forward to catching up at the end of Q4. Thank you.

Amit Mishra: Thank you, sir. And thank you very much all participants for joining us on the call. Thank you.

Moderator: Thank you so much. That does conclude our conference call for today. Thank you for participating and you may all disconnect now. Thank you and have a great day.