# Himatsingka Wovens Private Limited

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

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 February 12, 2018.

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
Vice President – Strategic Finance
& Company Secretary

Encl: as above


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**Moderator:** Ladies and gentlemen. Good day and welcome to the Himatsingka Seide Limited Q3 FY2018 Post Results Conference Call, hosted by B&K Securities Limited. 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 "*"followed by "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Prerna Jhunjhunwala from B&K Securities Limited. Thank you and over to Madam.

**Prerna Jhunjhunwala:** Thank you Ali. Good afternoon everyone. On behalf of Batlivala & Karani Securities, I would like to welcome you all for Q3 FY2018 post results conference call of Himatsingka Seide Limited. From the company we have with us the key senior management which include Mr. Shrikant Himatsingka Managing Director & CEO of the company, Mr. K. P. Rangaraj Group CFO, Mr. Ashok Sharma who is Vice President - Strategic Finance & Company Secretary, Mr. T G S Gupta who is VP – Finance and Mr. Sachin Garg who is Associate Vice President - Treasury and Investor Relations. I would now like to handover the call to Mr. K. P. Rangaraj, Group CFO for initial comment. Thank you and over to you Sir!

**K P Rangaraj:** Thank you Prerna. Good afternoon ladies and gentlemen. On behalf of the company we would like to welcome you to the earnings call for Q3 FY2018. I will start the call with a business update and then followed by the consolidated financial performance highlights. Just to start on the business update, we are pleased to share that we have commenced commercial production at our new Greenfield Spinning Facility on February 5, 2018. This is actually the world's largest cotton spinning plant under one roof. As informed in our earlier communications while the new spinning facility is a backward integration initiative, we may see demand for fine count yarn from select clients. In line with our communications earlier, we have commenced construction of our proposed Terry Towel facility as per schedule. The facility will have an installed capacity of 25,000 tonnes per annum. Utilization levels at our Sheeting and Drapery and Upholstery facilities remain stable during the quarter. We see the stability to continue in Q4 FY2018 as well. We continue to work towards enhancing market share in continental Europe and North America. We are likely to witness momentum during FY2019. We continue to consolidate our brand portfolio and remain focused on enhancing revenue streams from brands.

For the nine month period we saw robust growth from brands and total revenues from our brand portfolio stood at Rs.1,100 Crores. We continue to maintain our leadership in the cotton track and trace space with our exclusive DNA tagging technology. Our cotton brands marketed under Pimacott, Organicott, and HomeGrown Cotton labels have continued to see good traction during the quarter.

I now move onto to the consolidated financial performance for the quarter ended December 2017. The consolidated total income for Q3 FY2018 stood at Rs.588.64 Crores against Rs.559.25 Crores in Q3 FY2017 translates to an increase of 5.3%. On the EBITDA side, the consolidated EBITDA for Q3 FY2018 was up 5.3% and stood at Rs. 109.73 Crores versus Rs. 104.21 Crores of the previous year. The EBITDA margin stood at 18.6%, which was the same as the corresponding period of the previous year. The consolidated EBIT for Q3 FY2018 was up by 6%

and stood at Rs.92.92 Crores versus Rs.87.69 Crores during the previous year. The EBIT margin stood at 15.8% versus 15.7% during the previous year. The consolidated interest and finance charges for Q3 FY2018 declined to Rs.21.82 Crores versus Rs.27.36 Crores during the corresponding period of the previous year. The consolidated profit before tax for Q3 FY2018 was up 17.9% to be Rs.71.1 Crores versus Rs.60.33 Crores during the previous year.

The consolidated profit after tax during the period was Rs.50.13 Crores, which compares to Rs.45.08 Crores during the previous year, which translates to a growth of 11.2%. Tax provision for the quarter stood at Rs.20.97 Crores against Rs.15.25 Crores during the previous year. The effective tax rate for the quarter stood at 29.5% versus 25.3%. I now move on to debt profile, leverage ratios and credit ratings.

The consolidated gross debt as on December 21, 2017 stood at Rs.2,206 Crores. Total term debt stood at Rs.1,252 Crores and the total working capital debt stood at Rs.954 Crores. The increase in term debt is due to project funding while the increase in working capital debt is due to increase in inventory holding, working capital congestion on the back of GST and delays in disbursement of export incentives. The cash and cash equivalence stood at Rs.188 Crores as at December 31, 2017. Consequently, the net debt outstanding as of December 31, 2017 was Rs.2,018 Crores.

I now move onto some of the leverage ratios, the debt service coverage ratio on a TTM basis stood at 2.83 times at the end of Q3 as against 2.57 times for previous year. The interest service coverage ratio on TTM basis improved to 3.90 times at the end of Q3 as against 3.56 in the previous year. The net debt to equity stood at 1.67 as against 1.13 for the previous year, this increase is due to increased debt taken for projects. The net debt, excluding project work in progress debt, to equity ratio stood at 1.35 times at the end of Q3 versus 1.06 for FY2017. The net debt, excluding project work-in progress debt, to EBITDA stood at 3.29 times for Q3 as against 2.7 times for FY2017.

I now turn to the capital efficiency ratios, the return on core capital employed, which excludes capital employed in projects WIP on a TTM basis at the end of the period stood at 16.4%, this compares to 17.7% for FY2017. The return on equity stood at 18.1% against 18.6% on the previous year. I now want to focus on comments and observations on the results. You might have observed that there is a note to the financial results indicating that our other income for the quarter includes Forex loss of Rs.11.3 Crores versus a Forex gain of Rs.9.75 Crores in the previous quarter. This loss is on account of the strengthening rupee during the quarter.. With this I would like to complete my update. We will be happy to take on your questions now. Thank you for your listening patiently.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We will take the first question from the line of Nihal Jham from Edelweiss. Please go ahead.

**Nihal Jham:** Good afternoon to the entire management. My first question was if I look at the growth and revenue excluding the other income that has come in pretty strong at 9% and much higher than a

lot of the peers have been reporting so is it that we are winning new orders with new customers or is there an increase in order with existing customers?

**Shrikant Himatsingka:** I think it is more of the latter and a little of the former, but since it is a 8%, 9% in that region, we consider range bound there are some timing differences between Qs and things like that, but overall we see ability going into Q4 as we had indicated.

**Nihal Jham:** Sure Sir and what has been the growth in brands in this quarter specifically?

**Shrikant Himatsingka:** We are growing... last year FY2017, we did approximately Rs.1,200 Crores, we have touched Rs.1,100 Crores in nine-month period, so I think this momentum is likely to continue for rest of the year.

**Nihal Jham:** Do you have the nine months number for FY2017 for the brands business, corresponding number for Rs.1100 Crores?

**Shrikant Himatsingka:** For H1 last year we did around Rs.500 Crores, so on a pro rata, basis it should be in the region of Rs.750 - 800 Crores for nine months.

**Nihal Jham:** Just to understand a little better, what has been driving this improvement, is it we have not added any new brands over the last year?

**Shrikant Himatsingka:** We have, as we mentioned in our business update, the traction that we are seeing on cotton brands in the track and trace space, it has been extremely well received, so we have seen momentum there as well as in some of our other brands portfolios.

**Nihal Jham:** Sure Sir, is it possible to get the other operating income for this quarter and the corresponding number for the last quarter?

**Shrikant Himatsingka:** Can we take that offline please?

**Nihal Jham:** I will do that and just second question on the gross margin part, again there has been a sharp improvement on a yearly as well as on quarterly basis whereas the cotton prices though they are down, I do not think they can explain the improvement that we have seen, so just wanted your thoughts on that?

**Shrikant Himatsingka:** It is a little bit of all, few things actually, the confluence of a few things, (a) there has been some movement on product mix, (b) during the Q at least, we had some favorable movement on cotton vis-à-vis our product mix which may or may not coincide with broader market movements and thirdly we did consume some trial production quantities emanating from our spinning plant, so all these three put together had that impact.

**Nihal Jham:** Sure Sir. I will get back in the queue for further questions.

**Moderator:** Thank you. We will take the next question from the line of Shraddha Agarwal from Asian Market Securities. Please go ahead.

**Shraddha Agarwal:** Good afternoon to the management team. Congrats on a very strong operating performance. Just continuing from the last question you did mention three, four points leading to margin improvement, would it be possible for you to give out what led to contribution, from each factor what was the contribution on margins like the trial production from your own spinning plant would have contributed how much overall margin expansion?

**Shrikant Himatsingka:** Madam the specific breakups we could take off line, but it is a little bit of all these four components. If you see our EBITDA margins have been range bound year-on-year, some gross margin improvement we saw emanating from the COGS line, also gets a little compensated in other expenses that one would incur because now that the spinning is gone on stream. Of course this gross margin line will keep improving as the plant stabilizes and we will also see the other expenses line going up, of course it will not be entirely compensated, but we will see that movement, so we will be happy to share with you the specific movement topline.

**Shraddha Agarwal:** Sir just one thing this trial production would have happened towards the end of the quarter right, assuming from December month, would it be for the entire quarter?

**Shrikant Himatsingka:** No it would have been during the Q because we had some production going on trial basis roughly through the Q, so of course it would have intensified in the later part of the quarter you are right, but we would have had smaller production quantities in the initial part of the quarter as well.

**Shraddha Agarwal:** Sure Sir that is helpful and Sir secondly we have outlined that we intend to sell some of the homegrown spun yarn to outside market as well but have we allocated any quantity as to maximum how much yarn would we keep for outside sale and how much would be using for captive consumption?

**Shrikant Himatsingka:** That is a fair question, as we said this entire project is actually booked on our backward integration requirements, so we have no need to sell yarn; however, since we do operate in now several niches including yarn that has been tagged using our DNA technology and things like that. We may see some demand coming in from select clients, so the company is not allocated a specific capacity and/or a quantum at this point for these kinds of third party opportunities, but we did want to share with our investors that we are open and we are exploring such opportunities if and when they arise.

**Shraddha Agarwal:** Sure Sir and just last question from my side. You have mentioned that the new bed linen capacities are operating at a stable utilization versus last quarter, would it be possible for you to give some quantitative direction as to what levels would it be tracking?

**Shrikant Himatsingka:** We do not share specific levels Madam, what we did share with our stakeholders was that once our Brownfield weaving capacities were commissioned during October 2016, we said we were confident of placing 40% to 50% of incremental capacities of the plant within days. We are

operating at level slightly above that, so we do have some capacities, which we are looking to place, although we are not in a tearing hurry because close to 50% that we have placed subsequent to our commissioning have been on good product mix, so we are looking for that opportunity both in North American and in continental Europe, number one and number two as we indicated, we should see some momentum during FY2019.

**Shraddha Agarwal:** Sir just if I can squeeze in one last, how are we tracking on margins in the retail and distribution business, just broad direction if not specific numbers?

**Shrikant Himatsingka:** Madam we stopped sharing the separate retail and distribution margin profiles because it tends to confuse our stake holders rather than adding value.

**Shraddha Agarwal:** True, but some directional sense as to I mean we had a kind of outline that we would like to operate at 5.5%, 6% kind of margin band there, so where are we, vis-à-vis that kind of internal benchmark which we have?

**Shrikant Himatsingka:** That internal benchmark is now all sort of in a consolidated EBITDA numbers. If you look at our nine month EBITDA numbers from a margin of 18.4% last year, we have improved to 19.8%, so obviously both manufacturing and distribution businesses are roping in that margin for us. So it is difficult for me to give you specific retail and distribution margin even internally we look at consolidated margins only.

**Shraddha Agarwal:** Sure Sir. That is helpful. Thank you.

**Moderator:** Thank you. We will take the next question from the line of Tuhsar Jain from IIFL. Please go ahead.

**Tuhsar Jain:** Sir my question would be on our new bed linen capacity as well as terry towel capacity, which we are planning to construct, so what kind of revenue contribution can we expect from both of these facilities?

**Shrikant Himatsingka:** Tuhsar the new bedding facility, the Brownfield expansion on the bedding front was commissioned during October 2016. Just to have a quick recap we had announced Rs.1281 Crores expansion during July 2015, which entails three projects, (a) a Brownfield bed linen expansion of capacities from 23 million meters to 46 million meters, (b) an integrated spinning plant with a capacity of 211,580 spindles and (c) a terry towel facility with an annual capacity of 25,000 tonnes per annum. These were the three projects we had undertaken and we have shared with investors that we will be taking these projects up in phases because we did not want to lump it up. Consequent to that, we have commissioned two projects, the first being the bedding Brownfield expansion and the second being our spinning project, so having completed these two we are now on the third project, which is the 25000 TPA terry towel project. Now as far as revenue estimates are concerned, we cannot be specific on revenue estimates, but I did share with investors that on a project like terry towels as the turnovers typically tend to be in the region of around 2 and the same is applicable to sheeting, maybe sheeting is a little higher than that

depending on product mix and as far as spinning is concerned depending on the average count i.e., the fineness or coarseness of product that is being manufactured. In our case we estimate an asset turnover in the region of 0.9 or thereabouts. That low asset turnover in spinning will be compensated by healthier EBITDA margins.

**Tuhsar Jain:** That answers my questions. Thank you.

**Shrikant Himatsingka:** Which we have shared should be in the region of – we expect it in the region of close to 27%.

**Tuhsar Jain:** Okay. Thank you.

**Shrikant Himatsingka:** I hope I was clear.

**Moderator:** Thank you. The next question is from the line of Resham Jain from DSP BlackRock. Please go ahead.

**Resham Jain:** Yes. Thank you Sir, I have three questions, the first one is out of the total debt of Rs.2018 Crores how much is related to the spinning facility, which we have commissioned so that debt will start hitting in terms of interest from Q4 right?

**Shrikant Himatsingka:** Correct.

**Resham Jain:** So what was the debt for the spinning plant?

**Shrikant Himatsingka:** Resham we cannot share project-specific debt. Rs.1792 Crores was net debt outstanding at the end of Q2, Rs.2018 Crores, at the end of Q3, cash has remained range-bound plus minus Rs.20 Crores, so I would say of course your observation is right, now that plant is in commercial production,this on the spinning facility will hit the P&L and it might be countered by some state incentives on interest as well.

**Resham Jain:** The other way round if I can ask out of this Rs.2018 Crores debt, how much of debt is still or for example this incremental debt is not contributing in terms of EBITDA as of now, is that the fair thing to assume?

**Shrikant Himatsingka:** Say that again please…the incremental debt…?

**Resham Jain:** So the spinning debt is already hitting the balance sheet, but from the P&L point of view, the incremental EBITDA has still not started coming in.

**Shrikant Himatsingka:** That is correct.

**Resham Jain:** Because in trial production I assume that the EBITDA from spinning might not be meaningful to support, so that was the first thing.

**Shrikant Himatsingka:** That is correct. So you will see both an increase in interest countered partially by some incentives and you will see an increase in operating EBITDA coming in through because of the commissioning of the plant, I might add that I had shared even during our last call, we have commissioned the plant on February 5, so we might require a couple of months or if not a little more than that to bring this plan to absolutely optimise performance levels until then its contribution will be a little subdued, which will then increase once that period is over.

**Resham Jain:** On the working capital debt side, I think last time we discussed that for short period of time, there will be an overlap of yarn and cotton both put together, so the overall working capital might be higher because of that, how much will that amount be roughly?

**Shrikant Himatsingka:** I think our working capital has increased by around Rs.100 Crores from the last quarter and let me be candid with all of you, our working capital is a little high, we are working to optimize it a little bit, but we have some headwinds, not only on inventories, but we have headwinds because of the GST impact both on the capex and on the P&L reimbursements are delayed from the respective authorities and we also have a delay on export incentives, so all these put together it is causing a little bit of impact on the working capital numbers going north, so quite candidly given the current situation may be it will take a little while for this to correct, so I would not be surprised if this continues for a couple of quarters or something of that nature.

**Resham Jain:** But this Rs.2000 Crores odd, the peak debt which one can assume, Rs.100 Crores plus minus, so is this the peak debt?

**Shrikant Himatsingka:** It is not the peak debt, I do not know how you want to define peak debt, it is the debt that we see after the completion of these two projects and we have the terry towel project to come.

**Resham Jain:** Yes because terry towel… this spinning project will start contributing in terms of EBITDA, so from cash flow point of view I presume that maybe Rs.100 Crores, so what will be the peak debt let us say once this terry towel plants get commissioned next year will that be a peak debt or you have already received it?

**Shrikant Himatsingka:** So we will see two things, if I see a net debt of Rs.2000 Crores Resham, it will go up by the terry towel debt and it will come down by the cash flows that comes through the fresh cash flows, so I think our net debt should be – we will see some increase in net debt in the near-term and then it will start to correct back, so maybe in a couple of quarters we will see where our optimal sort of debt profile will be at the end of these three projects assuming no further additions at this point, which is not part of this discussion.

**Resham Jain:** Finally this depreciation amount how much will it increase to from Q4?

**Shrikant Himatsingka:** I think spinning should add, it is close to double our depreciation.

**Resham Jain:** On a quarterly basis, so 17 Crores is the current run rate?

**Shrikant Himatsingka:** It should double our maybe on our standalone basis, could be close to double.

**Resham Jain:** So Rs.12 Crores per quarter is that the right amount, Rs.50 Crores per year roughly?

**Shrikant Himatsingka:** A tad lower than that, maybe in the Rs.40 Crores region.

**Resham Jain:** Sir finally on interest rates what are our net effective interest cost for both long-term as well as working capital debt?

**Shrikant Himatsingka:** 7%.

**Resham Jain:** 7%, this will continue in Q4 as well or after spinning project is the rate going to come back?

**Shrikant Himatsingka:** Should be range bound.

**Resham Jain:** Okay Sir. Thank you and best of luck.

**Moderator:** Thank you. We will take the next question from the line of Hem Agarwal, Individual Investor. Please go ahead.

**Hem Agarwal:** Sir congratulations on the timely start of another expansion by Himatsingka.

**Shrikant Himatsingka:** Thank you very much.

**Hem Agarwal:** Sir I wanted to understand a little bit about the capacity utilization of the spinning utility, can we see it operating let us say 50% in the next six to nine months?

**Shrikant Himatsingka:** Hem Ji, the spinning facility will operate at full capacity, it is already operating at full capacity except that the productivity and efficiencies will take a little while to come to peak because it has just been commissioned, so the plant will operate at full operating capacity.

**Hem Agarwal:** Then you mentioned about we will take high margin product, so it is possible that we will outsource some of our low margin or low count to some other party and book outside very high count work for our facility Sir?

**Shrikant Himatsingka:** What I did say is that, given the size of the project and we will reap benefits of the economies of scale and we will reap benefits on automation and technology, we will also reap benefits on product profile and all these together should give us a healthy EBITDA margin coming from our spinning assets. Yes we will have to outsource some yarn requirements because as I shared with investors earlier this capacity is not enough to fulfill our requirements, but needless to say we will be focused on what makes more sense for us to make in-house and outsource what we think someone else can do a little better.

**Hem Agarwal:** The foreign exchange loss which we see that would be purely notional I would think.

**Shrikant Himatsingka:** That is right.

**Hem Agarwal:** That means I could take a look at the figures also without the foreign exchange loss over there and put it under comprehensive just to make my life easier in the margin sense Sir?

**Shrikant Himatsingka:** Yes please reach out to us in the offline because it involves a few accounting standards and their contras unfortunately this is a little complicated, so if you reach out to us offline we will be more than happy to answer all your queries on the FX.

**Hem Agarwal:** Thanks a lot, the other expenses has gone up quite a bit, can you highlight a couple of key items in that other expenses, which have gone up a couple of key line items?

**Shrikant Himatsingka:** It has been pretty range bound, if you see Q2 FY2018, we had total expenses of Rs.479 Crores, this quarter it is Rs.478 Crores and Rs.18 Crores, Rs.20 Crores of other expenses that has gone up include some energy cost and things like that, but nothing material that is worth sort of specific focus.

**Hem Agarwal:** I was looking more at from last quarter, but from last year quarter there is a lot of difference in terms of the manufacturing, correct. When will the terry towel plant be commissioned, you have mentioned that figure alone, how we still quite confident about reaching that Sir?

**Shrikant Himatsingka:** Yes during the last call I had shared that we would be looking at commencing the construction during the H2 and therefore we are happy today to announce that we have commenced the construction and it may take close to 12 to 14 months span.

**Hem Agarwal:** Thank you very much and wonderful to be a shareholder at Himatsingka Sir.

**Moderator:** Thank you. The next question is from the line of Arvind Joshi from Bateleur Advisors. Please go ahead.

**Arvind Joshi:** Could you discuss our Forex positions, the total hedges and the quantum hedged?

**Shrikant Himatsingka:** We will be more than happy to provide the information offline.

**Arvind Joshi:** Fine. Thanks.

**Shrikant Himatsingka:** Do reach out and we will be happy to answer your queries on the FX.

**Arvind Joshi:** Sure. Thanks.

**Moderator:** Thank you. We will take the next question from the line of Pranshu Mittal from Gomukhi Capital. Please go ahead.

**Pranshu Mittal:** Yes just one question, there is some bought outs also in the company, which I understand, so is it possible for you to explain a bit in terms of what kind of materials you buy for the direct selling and once this – as your sheeting is already there in towel, some kind of portion will also be taken off from there?

**Shrikant Himatsingka:** That is right, we largely buy products, which we do not manufacture in-house to complement our brand offerings. So for example we currently do not have terry towel, but our brands offer terry towel products to our customers, so we would have to buy terry towel and bath products currently and things like that. There are sometimes for example our brands by blankets, which is a seasonal product in certain markets, we do not make that product category in-house because it is a different sort of category, so we would buy those products and outsource it, so things like that basically, all related to bedding and bath.

**Pranshu Mittal:** Sir would some portion of that will be replaced because of this towel, new factory.

**Shrikant Himatsingka:** As towel plant comes up, all towel outsourcing will cease.

**Pranshu Mittal:** So will you be able to quantify out of this Rs.500 Crores, Rs.600 Crores bought outs how much of that will be if possible?

**Shrikant Himatsingka:** I cannot specifically on it, but we should get a initial sort of contribution to our capacity utilization once the plant is up, so we are trying to maximize it in order to facilitate a smooth transition, but may be in the region of anywhere between close to 20%.

**Pranshu Mittal:** 20% of this Rs.500, Rs.600 Crores.

**Shrikant Himatsingka:** That is right.

**Pranshu Mittal:** Another question is on the spinning, so as you said it is backward integrated will be used, so the margin expansion would also generally be because of the margin which you would be have any forgoing when you are buying yarn and also the better yarn or the trace and track ability and all, so what kind of the margin expansion can we expected like 400, 500 basis point, 300 some number into that over a period of let us say three years?

**Shrikant Himatsingka:** You could, so two points, one is this point that you raised prior to this question, so Rs.100 Crores is a very broad estimate from the total purchase basket and this Rs.100 Crores will probably grow until such time that our plant is up or at least we will attempt to grow it because we will want to be ready for our terry towel project. (B) on coming to this question, which is how much our margins may expand, I will let you do the math, currently we are at 19.8% on a consolidated basis plus minus 100 basis given timing and product mix and other ordinary course volatility, we have not yet seen any contribution coming in from our spinning asset. Our spinning assets as I said with an asset turn in the region of 0.9 and maybe EBITDA in the region of 27% and we will try to better that, we will contribute in theory to our consolidated margins because we would not assume for a moment, we do not see any third party revenue streams coming from spinning then that entire thing will be part of this revenue profile, but then however, I did say we are looking at some third party opportunities and so on, so I do not think it will be unreasonable to assume that we will get a few 100 basis points as an upside on the current EBITDA.

**Pranshu Mittal:** Okay, just last thing on this European thing when you are trying to step up things in Europe, so where are we in that in terms of – do you quantify in terms of how much revenue we are getting from Europe now?

**Shrikant Himatsingka:** We do not quantify it by region, but what I did share with stakeholders was obviously Europe is not a very large part of our portfolio and obviously it should be a much larger part than it is today, so given these two obvious things, we decided to take more tangible and stronger steps to enhance our presence in Europe. We have no leadership in the region and we are trying to make inwards into continental Europe at large. Hopefully we will see some momentum more visible in FY2019.

**Pranshu Mittal:** Okay just last question, Sir in the standalone business is it possible to quantify some kind of number in terms of how much is the bedsheet and how much is the upholstery?

**Shrikant Himatsingka:** Well it is largely bedding, the ratios probably at an annual basis is over 90% bedding.

**Pranshu Mittal:** So Sir what we do with our upholstery plants where we have the silk and all things?

**Shrikant Himatsingka:** It is a niche business, it is a luxury business, we are trying to grow it, it is true that it has been range bound for a while and we are sort work in progress looking at our product portfolio and pricing and strategies, so I think it will be a little bit of time until we see any material movement on that division, but it is largely stable.

**Pranshu Mittal:** So total capacity over there is 2 million meters.

**Shrikant Himatsingka:** That is correct and we are operating in the region of 50% and we have been in that position for a while.

**Pranshu Mittal:** Does it get pushed through some of your brands business also this particular product?

**Shrikant Himatsingka:** Yes, it goes through some of our domestic brands like Atmosphere and Fabric House and things like that. Quite honestly and candidly we are aware that our specific performance on the drapery & upholstery front could see some upside, but we are still work in progress and we do not normally share the breakups of the two divisions, but you raised this question I thought at least broadly we should give a direction to it.

**Pranshu Mittal:** Thank you so much for the clarity.

**Moderator:** Thank you. The next question is from the line of Mangesh Bhadang from Param Capital. Please go ahead.

**Mangesh Bhadang:** Hello Sir and congratulations on a very good set of numbers. Sir my question is regarding the outlook of the US market, how it is in terms of exports now because a lot of participants have mentioned that de-stocking is still ongoing in that region and how do you expect that to pan out?

**Shrikant Himatsingka:** Yes they are right and I would like to add that the demand seems stable with a slight negative bias, but then vis-à-vis us or any other player it becomes a company specific sort of situation and if I were to zoom into a company-specific situation I believe that some of the initiatives we are taking should see momentum in FY2019, but FY2018 has been largely stable.

**Mangesh Bhadang:** So you expect the growth momentum to continue in 2019?

**Shrikant Himatsingka:** I expect it to pickup in 2019, given the fact that Q on Q FY2018 has been pretty stable.

**Mangesh Bhadang:** Secondly for European market considering that various other countries have favourable duty structure, how do you think that our products would be competitive in those markets?

**Shrikant Himatsingka:** Well, there is no doubt about the fact that others have favourable duties and the fact that India is still lobbying to be enjoying the same status is a little surprising, but that is what the situation is. Having said that again, the company specific and product specific opportunities exist. It is not like India share of European imports is dwindling, India has a lot of advantages its proximity to raw material, large scale manufacturing allows it to compete with these protectionist measures in place, I would not say protectionist sorry these measures favouring certain other geographies and so I still feel that there is a large market in continental Europe waiting to be addressed.

**Mangesh Bhadang:** Right and Sir finally if I may ask, so suppose if you move completely on the new yarn facility, then how much would our margins improve considering that 100% is backward integrated of our products?

**Shrikant Himatsingka:** Mangesh I would request you to work it out yourself as I have given a fair amount of guidance on what it could potentially be, but it would be difficult for me to specify as such.

**Mangesh Bhadang:** Okay Sir. That is it. Thanks.

**Shrikant Himatsingka:** Thank you.

**Moderator:** Thank you. As there are no further questions I now hand the conference over to Mr. Shrikant for his closing comments.

**Shrikant Himatsingka:** Thank you all as always for taking the time, do reach out to us. If there some answers we have not answered in enough detail and you would like a little more granular view to something do reach out and some of course we will request for you to reach out offline, so we look forward to hearing from you and I look forward to our next interaction. Thank you very much.

**Moderator:** Thank you. Ladies and gentlemen on behalf of Batlivala & Karani Securities Limited that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.