



Himatsingka

Himatsingka Seide Limited

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Q1 Financial Year 2016 Results Conference Call

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PARTICIPANTS : Mr. Shrikant Himatsingka - Executive Director
Mr. K. P. Pradeep - President Finance and Group CFO
Mr. T.G.S. Gupta - AVP – Finance
Mr. Ashok Sharma - AVP – Treasury, Taxation & Company Secretary

Moderator: Ladies and gentlemen, good day and welcome to the Himatsingka Seide Q1 FY 2016 Earnings Conference Call, hosted by Macquarie Capital Securities India Private Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” and then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Chirag Jain from Macquarie Capital Securities. Thank you and over to Sir!

Chirag Jain: Thanks. Good evening everyone. It is our pleasure to host Himatsingka Seide post results conference call. To represent the company we have with us today. Mr. Shrikant Himatsingka, Executive Director, Mr. K.P. Pradeep, President Finance and Group CFO, Mr. TGS Gupta, AVP, Finance, Mr. Ashok Sharma, AVP, Treasury Taxation and Company Secretary. I would now like to hand over the call to the management team for opening remarks and then we will open the call for Q&A session. Over to you Sir!

K.P. Pradeep: Thank you all for joining the earnings call this afternoon. This quarter has indeed been an interesting quarter for the group. While we saw some softness on the revenue front, we also saw substantial improvement in our operating performance. The macro environment in our key markets have remained relatively stable and the softness in revenue may be attributed to timing differences that arise between quarters across our business. As we see it, revenue growth during FY 2016 should be range bound between 8% and 10%. However, we remain margin focused and continue to sweat our manufacturing and distribution assets to drive improved return ratio.

Going on to our consolidated performance for quarter one FY 2016, our consolidated revenue has marginally decreased by 6.8% and stood at Rs.468.51 Crores versus Rs.502.68 Crores in the same quarter last year. The

consolidated EBITDA including other income increased by 37.6% to Rs.76.19 Crores versus Rs.55.39 Crores in the same quarter last year. EBITDA as a percentage of sales stood at 16.3% this quarter versus 11% in the same quarter last year. The consolidated EBIT including other income increased by 49% to Rs.64.91 Crores compared to Rs.43.55 Crores in the same quarter last year. EBIT as a percentage of sales stood at 13.9% this quarter versus 8.7% in the same quarter last year. Interest and finance charges for the quarter increased to Rs.23.05 Crores from 19.10 Crores in the previous year. The consolidated profit before tax for the quarter is at Rs.41.86 Crores compared to Rs.24.45 Crores in the same quarter last year. The consolidated profit after tax and minority interest is Rs.40.79 Crores for the quarter compared to Rs.21.55 Crores during the previous year, a growth of 89.3%.

Coming to the manufacturing which is the standalone performance, the revenues for manufacturing activities for the first quarter ended June 2015 grew by 10% and stood at Rs.251.91 Crores versus Rs.228.74 Crores during the same period last year. The EBITDA including other income from manufacturing operation increased by 63.65% to Rs.68.39 Crores versus Rs.41.79 Crores during the same period in the last year. EBITDA as a percentage of sales stood at 27.2% this quarter versus Rs.18.3% in the same quarter last year.

Moving onto the retail and distribution performance on a consolidated basis, total revenue from the retail and distribution division stood at Rs.423.50 Crores versus Rs.456.54 Crores in the same period last year a reduction of 7.2%. The consolidated EBITDA for the retail and distribution division stood at Rs.12.22 Crores in the current year versus Rs. 15.82 Crores in the same period last year. The debt as of June 30, 2015 stood at Rs.774 Crores, Rs.437 Crores being the term debt and Rs.337 Crores being the working capital debt. The company's net debt outstanding as of June 30, 2015 is Rs.742 Crores. The company's effective cost of debt is at 6.37%. As you may have noticed the earnings call has a small format change and in case you need more specific details, please feel free to write to us.



To give you a small business updates the group is intending to merge operating divisions in the United States into one subsidiary. This will help consolidate the North American portfolio under one umbrella with a throughput of USD 300 million, 14 brands, a robust private label platform and a strong leadership team. After signing Kate Spade New York in March 2015, the group has onboarded two new brands for the North American market. The brands are Kravet and Lady Antebellum Heartland. While Kravet is among the most recognized home furnishing brands in the North American market. Lady Antebellum Heartland by Lady Antebellum is an extremely popular country music brand in the United States.

As regards the European division, we see break even and marginally profitable in FY 2016 after restructuring exercises carried out in FY 2015. The group received an approval from the Government of Karnataka with regard to a proposed expansion project in the State. We wish to clarify that we are in an advanced stage of exploring expansion initiatives and will make a formal announcement of the same as the plans fructify. The group remains extremely focussed on margin expansion initiative across its manufacturing and retail and distribution businesses. While we saw a margin expansion from manufacturing operations during the first quarter, we expect to see better operating margins from the retail and distribution businesses going forward. With this I complete the update and I will hand it over to the moderator to take question, back to you Chirag.

Moderator: We will now begin the question and answer session. The first question from the line of Neeraj Mansingha from Edelweiss. Please go ahead.

Neeraj Mansingha: Hi everybody. This is Neeraj Mansingha. Congratulations on the good numbers. A few questions, to start with in the standalone side, can you explain the movement in the EBITDA margins on a sequential basis? The specific reasons why you have seen reasonable increase in the margins?

K.P. Pradeep: Neeraj, shall we take specific details offline.

Neeraj Mansingha: Okay in a broad sense.



K.P. Pradeep: In a broad sense, I should say margins have improved because of the improved operating performance.

Shrikant Himatsingka: Neeraj, the manufacturing business saw much better performance given the high productivity efficiencies, stable raw material scenario, stable exchange scenario, higher throughputs all of these aspects put together gave us the better performance. It is pretty much the same assets sweating theme that we have been talking about all this while that is beginning to bear fruit.

Neeraj Mansingha: Okay, another question on the US subsidiaries, you had been speaking about restructuring in the US business for sometime. How do you see the profitability, I know Pradeep has said just now that to you expect up the income to profits in FY 2016? Can you just give more color on what aspects of the business would give the confidence and the return to profitability in the US side?

Shrikant Himatsingka: The return to profitability question does not arise, because they are currently profitable. What Pradeep talked about was the turnaround in the Italian division, which is our European division and he said that the restructuring exercises that were carried out in FY 2015 in our European subsidiary are beginning to bear fruit and therefore we see the European division being at a break even/marginally profitable situation and this is not a large division, but we thought it is notable as a development given the fact that the division in Europe did see headwinds over the last few fiscal years and we went through a thorough restructuring exercise of the model that prevails in that geography and see the situation going forward that is with regards to Europe. The US division is anyhow profitable. The divisions have gone through a restructuring that we have spoken about over the last few calls and we see the operating margins in our North American divisions improving given the synergies that we are trying to get by merging various functions between the operating subsidiaries and hence also the announcement of the development of merging these two operating companies.

Neeraj Mansingha: Okay and any thought process on how you see the revenue growth in the US market?



Shrikant Himatsingka: It is difficult to predict a pattern of revenue growth particularly on an organic basis, I think mid single digit is what one can pull reasonably speaking, of course, there will be quarters with sharper growth and quarters with a little bit of degrowth because as I said our revenue patterns are nonlinear, but I think on an ongoing basis, 4% to 5% CAGR is in the absence of any inorganic initiatives is what it seems to be. But there is a lot of scope to drive the profitability.

Neeraj Mansingha: And the last question is on the Capex that you have just got approved from the government. Can you tell your thought process Sir, first of all the details on the Capex and secondly on thought process of, how do you plan to execute such a large project?

Shrikant Himatsingka: Two things, first of all I cannot comment on these specific aspects of our Capex, because we are still going through our internal deliberation processes which once concluded will be shared at that point. Yes, we did get an approval from the government with regard to an application we had made to the Government of Karnataka and they gave us the requisite clearances for the project. Now, it is under deliberation and we will announce the nature of the expansion shortly. As far as the size is concerned, although, I cannot comment specifically I do not see why there should be any doubt in the group's ability to handle the kinds of expansion that we are deliberating upon. It will be spaced out. It will over a period of probably three years and so on and the scale and size of the expansion are very palatable to our current scale of operations. So, I do not see any issues on that front.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Emkay Global. Please go ahead.

Pritesh Chheda: Thank you for the opportunity. Sir on the standalone manufacturing operation side, what kind of capacity utilization are we operating on and just to understand extend of further operating leverage which is possible on the standalone operation basis?

Shrikant Himatsingka: Our bedding unit is operating at a close to 89% for Q1 and our drapery and upholstery unit is at 50% for the quarter. So these are net capacities and so 100% utilization is possible and therefore we have close to 10% upside on



the bedding operation and 50% upside on the drapery and upholstery operation.

Pritesh Chheda: Which means that if on the standalone operation side, which obviously is the larger contributor to the EBITDA if the utilization improves, which is obviously a function of 6% to 8% or 8% to 10% growth which we are talking about, there is an incremental scope for margin expansion on the standalone operation, is that assumption correct on my side or?

Shrikant Himatsingka: Yes. It is correct. Even if you look at sequential data, the utilizations in the two plants were not very different in the last quarter and for that matter even YOY Q1. The difference in utilization may be 300 basis points or 400 basis points but the differences come in our ability to produce more efficiently, automate more, rationalize costs, and also see a favorable exchange scenario stable raw material front, superior product mix and so on. So, I think the scope to sweat the assets still exists and it is not to be interpreted that the scope is limited to the utilization upside. There are other factors at play as well. However, we are cognizant of the fact that it is time for us to explore growth on the manufacturing front. We firmly believe the fact that manufacturing is an area that we would like to invest in. We firmly believe that as an integrated global model, we have several synergistic advantages to add capacities and therefore it is needless to say time for us to look at growth in these areas, which we will as I said earlier share with you as soon as they are fructified. So I do agree with you that the upside exists even today and the upside will not only come from the unutilized capacities, but various other factors and in addition to that the growth that we are planning through new projects should also play a pivotal role if I take a five-year horizon.

Pritesh Chheda: Is it safe to assume that at least on the worst case basis what we have seen now appearing in Q1 because obviously this has been one of the best performance if I have to look at the past so many quarters is it safe to assume that at least we can deliver these kinds of margins incrementally as the product mix or capacity utilization remaining intact?



Shrikant Himatsingka: I think safe is a strong word. I think it is reasonable for us to assume that the manufacturing conditions both internal and external are conducive to the earnings momentum that we witnessed during the first quarter.

Pritesh Chheda: In the opening comments you mentioned that the demand conditions are stable, any other data point that we can add on that thought?

Shrikant Himatsingka: When we use the term stable, we used it consciously because we are not seeing any heightened sense of demand in our markets. We operate in mature markets, developed markets and it is probably unreasonable to say that there is a heightened sense of demand in these markets. They operate in an environment of stability and the continuing stability in itself is a good sign as we see it and as far as our genre of products are concerned. So the prevailing environment of demand stability should enable us to pull the kind of growth of 8% to 10% on a consolidated basis that we spoke about.

Pritesh Chheda: Just one last question on the international operation, which is basically a retail operation side, we have been working behind restructuring; we have been looking at the operations very closely. So on the margin expansion side there as well what could be the areas which can be looked at, which could increase the margin especially US operations if you could give us some insight Sir?

Shrikant Himatsingka: It is a fair question, point number one, enhanced branded revenue streams, point number two cost rationalization initiatives undertaken as a result of the ensuing merger between the two operating subsidiaries, point number three superior product mix arising out of both brands and our ability to innovate on products, I think these initiatives, fourth being cost rationalization that I already mentioned I think a blend of these three or four initiatives in varying proportions is what will drive the operating performance there. So it is not something that is unusual and no one has heard of, it is a simple easy to comprehend way forward, difficult to execute and that is what is taking some time, but we feel that the right steps have been taken, the right measures have been introduced in these subsidiaries over the last year and we should see the benefits of that just like we have seen on the manufacturing front in its area of business.



Pritesh Chheda: Just wanted to add there are two points within which can be a bit quantifiable, so I just wanted to understand what would be your branded revenue there as a percentage of the total retail of and second in the cost rationalization side, how much basis point or absolute number can we look at?

Shrikant Himatsingka: As far as brands are concerned, I had mentioned probably earlier today the extent of branded revenues, the revenue streams, the group is envisaging to see in FY 2016 is probably Rs.850 Crores to Rs.900 Crores across all our retail and distribution business and as far as an absolute number is concerned, I am afraid it is a little difficult for me to pinpoint an absolute number, but I would at this point think that the EBITDAs we are clocking in our retail and distribution businesses are clearly suboptimal and there is a room for substantial improvement.

Moderator: Thank you. The next question is from the line of H. R. Gala from Panav Advisors. Please go ahead.

H. R. Gala: I am Gala here. We have been tracking Himatsingka for last over 20, 25 years if you remember. It is really heartening to see the turnaround strategy, which you have briefly highlighted, we really wish that you go back to the earlier levels of 40% plus EBITDA margin; can we achieve it in next four, five years?

Shrikant Himatsingka: No I am afraid not Sir, the reason being it is an apples to oranges comparison. The 40% EBITDA margin business is an extremely niche, luxury oriented drapery and upholstery business. They have intrinsic issues on high scalability, these kinds of businesses. The business of Himatsingka on a consolidated basis has undergone significant change over the five, seven years if you have tracked it and therefore these kinds of EBITDA margins on a consolidated basis are unthinkable. I would urge you to look at the business in two parts, part one being our manufacturing businesses and part two being our retail and distribution businesses. On the manufacturing front, our EBITDA for this quarter is actually not very far off from what you desire. The EBITDA including other income in the standalone manufacturing segment is 27% and I think on the manufacturing front, these are interesting numbers given the current scale and the scale to come in the



future. So 20 plus EBITDA percent businesses on a scalable basis are possible in the industry and sustainable in the industry subject to organic cycles and so on. The retail and distribution businesses in the textile genre especially in the home textile space, cannot clock these kinds of EBITDAs because the model intrinsically does not permit. They will clock inferior EBITDAs to manufacturing on a sustainable basis, but both businesses will have attractive return ratios of ROE and ROC going forward, which is what in our opinion really counts.

H. R. Gala: So Sir, from the present around 3% level of EBITDA margin what you have discussed on consolidated basis, what would be the upside that we could reap in over say next three to four years?

Shrikant Himatsingka: The gentleman prior to you asked me the same question. I cannot tell you what it should be. I can tell you that we are currently suboptimal as far as our retail and distribution EBITDA margins are concerned and I can tell you there is substantial room for improvement. I would also urge our investors to look at us as an integrated story, to look at us as a whole manufacturing and retail distribution included and sometimes the exercises of trying to analyze every divisions, EBITDAs, and percentages and so on, although I understand its mathematical relevance is sometimes superfluous so may be a hybrid approach could also throw some interesting insights when you look at it as an integrated story.

H. R. Gala: I think you do not disclose the numbers for different product groups separately I believe right?

Shrikant Himatsingka: Yes, we do not because it will get very confusing.

H. R. Gala: Now my question was this Rs.1325 Crores capex that we are talking about that are going to be mainly for bed linen business?

Shrikant Himatsingka: Sir firstly, the Rs.1325 Crores capex is something that the government has approved vis-a-vis an application made to the government of Karnataka. The company has not made any official statement other than the fact that this application has been cleared. So the extent of capex, the phasing of capex,



the nature of capex will be divulged to our investors as soon as we have internally concluded the path forward.

H. R. Gala: So we may not go up to that level?

Shrikant Himatsingka: We might not go up to that level. We might phase it and so on, but it is fair to assume that the capex undertaken will not be of Rs.100 Crores either.

H. R. Gala: I can understand Rs.100 Crores, nothing happens. But it will be mainly for bed linen, is that conjecture correct?

Shrikant Himatsingka: I would say that it will be in the manufacturing space. It will be in the cotton value chain.

H. R. Gala: Just one observation in this particular quarter our other operating income nearly more than doubled, so is there any particular reason for that?

Shrikant Himatsingka: The other operating income typically consists of surplus power sales, waste sales and income of this nature, it is not material overall.

H. R. Gala: It is all operating items, nothing one off, like one time item.

Shrikant Himatsingka: It also includes the merchandise export incentive scheme benefits announced under the recent foreign trade policy by the Government of India. Any income of royalties from the intellectual properties we own, so I once again would summarize this question of yours, surplus sales of power, waste sales, royalty income from the brands that we own or trademarks we own merchandise export incentive scheme as rolled out by the government during the first quarter. These are most I would say of the components of this line item.

H. R. Gala: Sir going ahead can we expect a similar line of other operating income to continue for the ensuing quarters?

Shrikant Himatsingka: I think some of these line items are regular, some are more irregular, but it will be range bound, as I said it is not material. It is not like that goes away and the profit will fall then commensurate certain because MEIS and other such incentives as long as they continue these lines, it will continue.



H. R. Gala: Okay I understand. Sir apart from these major capex, which we talked about, what will be the normal capex that we will be spending?

Shrikant Himatsingka: The organic capex is in the range of 10 to 15 Crores, nothing more.

H. R. Gala: Last year I think we seemed to spend something around 57, 58 Crores, is it correct FY 2015?

Shrikant Himatsingka: Yes last year, but if you look at an average of three, four years it will come to that number.

H. R. Gala: I understand. Just last question from my side Sir. What could be the effective tax rate one should look at because we must be having lot of accumulated losses, etc. that is why our tax rate is so low?

K.P. Pradeep: We can look at anywhere between 16% to 18%.

H. R. Gala: 16% to 18% that will be including deferred tax liability?

K.P. Pradeep: Yes.

Moderator: Thank you. The next question is from the line of Neeraj Mansingha from Edelweiss. Please go ahead.

Neeraj Mansingha: Shrikant, just a followup question on the utilization just you take us slightly forward, what I had observed is that utilization for the last five, six quarters have remained broadly same that you had mentioned, but wanted to know some color, is it that we are raising a ceiling or is there less demand for utilization on the higher side, I just wanted to know some color on what, when or how will the utilization reach higher levels?

Shrikant Himatsingka: It is an interesting point Neeraj. When technically you can reach a 100%, but the onboarding of new orders sometimes is not from a perspective of how should I put it, sometimes we can be refusing certain orders because their size may not fit this 10% gap that we have. The nature of order on board it will have to be in sync with the capacity available and cannot just be looked at very broadly that is one reason that you might see sometimes being range



bound in this 300 to 400 basis points, but that does not rule out the fact that it can go to 97%, it can, it has.

Neeraj Mansingha: Okay, the other question is on the drapery, any color on the market on how you see this utilization going now?

Shrikant Himatsingka: Let me be honest with you, we see this taking sometime, so how I will see it going up very simple flow of orders, how long will that take, we see that it is not something that we see happening in the next quarter, but as I said drapery and upholstery segment is the luxury segment that we operate vis-a-vis that product range and it is taking us a little time, I must admit to the fact that it is taking us a little time.

Moderator: Thank you. The next question is from the line of Amit Surekha from Bharti AXA Insurance. Please go ahead.

Amit Surekha: Hello everyone, first of all thanks. I just wanted to understand how will the GST impact our India business per se in case the government decides to implement GST, how can it impact the India business?

Shrikant Himatsingka: Mr. K.P. Pradeep will be happy to answer that question for you offline, but broadly speaking sir, the India revenue schemes are less than 3% of consolidated revenues. Any material movements in the regulatory framework on the retail front vis-a-vis the Indian market will not materially impact the performance of the company.

Amit Surekha: Manufacturing business also, it will not impact?

Shrikant Himatsingka: No it will not because it is only export oriented.

Amit Surekha: Second thing is as you mentioned that as a company you have not yet decided on the capex, how you will do over next two to three years in specific detail, by when can we expect you are going to take a final call on that?

Shrikant Himatsingka: If you could interpret my answer I will be happy, the answer is shortly.



Amit Surekha: Okay sir, thanks a lot. The last question is on the North America side, our brand and our distribution business in North America, what was our revenue in North America in this quarter?

Shrikant Himatsingka: Pradeep can send specific information to you, but the total retail and distribution revenues for the quarter stood at Rs.423 Crores.

Amit Surekha: That number I can see, actually you have not given the North America breakup of that?

Shrikant Himatsingka: As we requested sir, all specific such data can be shared separately.

Amit Surekha: But you stand by your guidance that even in North America you should be doing 8% to 10% revenue growth for the entire year?

Shrikant Himatsingka: It is not guidance as such.

Amit Surekha: You hope to reach that kind of number?

Shrikant Himatsingka: We estimate consolidated revenue growth of 8% to 10% and North America is a subset of that, so I cannot say that I would extrapolate the same growth percentages there, but it is fair to assume that on a consolidated basis given the current demand scenario and various other factors we feel that we should be in the 8% to 10% range by FY'16.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Emkay Global. Please go ahead.

Pritesh Chheda: Sir what could be the upsides to this growth that we are thinking on, about 8% to 10%, what could be the upside, which can or case which can take it to a 12% or 14% growth if possible?

Shrikant Himatsingka: Of course the upside will be higher off-take, but seriously I have reservations to explore, although if I look at growth rates that we clock between 2010 and 2015, it would have been in the region of 15% CAGR as a group. We saw a slight softness during FY'15 and this year 8% to 10% is what we feel, so while your question is theoretically valid and there would be theoretical answers for questions such as these I would stick to the fact that it is prudent

to assume more 8% to 10%, so it is indeed difficult with mature portfolios on brands, private labels and manufacturing to see that kind of an uptick given our current situation on utilizations. However, I would also like to say here that our business will see two broad kinds of movements, our existing businesses that is (a) we will see an organic movement in revenues or we should see an organic movement in revenues in the band we suggested that is 8% to 10%. As far as our profitability and operating earnings are concerned we should see a sharper movement on that front, given the various factors in play that I also spoke about earlier, so yes for FY'16 I see a softer growth on revenues panning out, but I see enhanced momentum that is to be seen on the earnings front. So this is one part and I think that theme is probably to continue going into FY'16 as well as far as existing businesses are concerned and as far as new business are concerned, which is to do with our projects, the group will revert as soon as these decisions are taken we are in advance stages of exploration and we will come back to you with details on the same.

Pritesh Chheda: Any efforts on new products or new geographies, which could enhance the growth by any chance?

Shrikant Himatsingka: The efforts on new products are consistent, so it is not something that we explore once in a while, it is something that we do all the time. As far as new geographies are concerned we typically scan these geographies before getting into them, so we would not get into a geography just for the sake of a few orders, we would like to be selective on the geographies we enter and therefore at this point we do not see any new geography that is going to bring in any substantial business to substantially drive growth.

Moderator: The next question is from the line of Karan Desai from L&T Mutual fund. Please go ahead.

Karan Desai: Hi sir, good evening. Congratulation on good set of numbers.

Shrikant Himatsingka: Thank you sir.

Karan Desai: Sir talking of new geography from where new growth can be, I was actually just wondering what about the EU FTA, there have been some rumors that if



that comes through it would be great for Indian home textile players, so what could be the potential?

Shrikant Himatsingka: I do not have specific import data into the EU from India on top of my head, but I do recall recently seeing the European commission data with regard to import from India have been going North over the last two, three years specifically in our genre of products. In addition, the rumors on FTA have been strong, but the fact is it is still a rumor and should this rumor be converted into reality I do not see why India will not grab a large share of EU imports and I would say that there is a learning and I am speaking for our industry alone, cannot comment on the apparel sector, allied sectors because I do not possess knowledge on those sectors vis-a-vis our sector, there is a parallel to be drawn with regard to import data coming out of the United States and the United States cumulatively in our product range is a larger market than Europe and India's performance vis-à-vis India's share of United States imports in our genre of products has only become stronger over the last 8, 10 years. We are today the largest as far as share of imports is concerned, vis-a-vis the United States. If an FTA were to be inked obviously it would be a big positive for the Indian industry in our area that is and therefore the medium term could spring up some opportunities.

Karan Desai: Because one of your competitors Welspun to be specific, Mr. Rajesh actually specifically spoke about it and he was confident that by calendar year end we could see some positive movement, so that actually opens up new avenues for the industry?

Shrikant Himatsingka: If any resolute direction is witnessed on the FTA front, the group has a presence in Europe through its Italian subsidiary and will therefore be able to capitalize on opportunities that emerge over the medium term. Whether we will hear anything resolute by calendar year end is I have no specific knowledge of this.

Karan Desai: I also wanted to get some color about what is your view on the cotton, the yarn prices over the next one year, you see them stable or a 5%, 7% up down?



Shrikant Himatsingka: 5%, 7% up or down is probably within the definition of stability. So 5% to 7% was definitely within the definition of stability at least as we see it.

Karan Desai: Because in last six months they have been quite stagnant for that matter.

Shrikant Himatsingka: Right, there has been, but I would still say that that level of volatility as I see 5% to 7% is considered stable. We have seen sharper movements in the past four years ago, but as far as the cotton season of FY 2015 and 2016 is concerned, the estimates for the crop size have come in to be quite encouraging, we do not expect as we see, we do not expect any supply side disruptions, we do not see any volatile movements on the supply front. They also are not any signs of any volatility on the demand front and therefore we have no reason to believe why raw material will behave in any volatile manner, it should be range bound. I do not rule out, I must qualify my statement by saying that there could be from time to time sociopolitical issues that come up, which might have short-term impact and volatility on such commodities, but barring that I do not see any fundamental reason for volatility.

Moderator: The next question is from the line of H. R. Gala from Panav Advisors. Please go ahead.

H. R. Gala: I just wanted to know that you have been talking in terms of the organic growth with reference to existing businesses and the new line of business, which will emanate from our capex program; do you have any other inorganic plan of any acquisition or something like that either in India or abroad?

Shrikant Himatsingka: No sir, we do not.

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

Shrikant Himatsingka: I would like to thank everybody for joining this call today, I do hope we answered most of your questions, if there are any further questions, queries,



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information that you would like do feel free to contact us and we will be happy to get back to you as best as we can. Thank you again.

Moderator:

Thank you. Ladies and gentlemen on behalf of Macquarie Capital Securities that concludes this conference call. Thank you for joining us and you may now disconnect your lines.