



Himatsingka Seide Limited Q1 FY18 Earnings Call

August 11, 2017

Participants: Mr. Shrikant Himatsingka - Managing Director and Chief Executive Office
Mr. K P Rangaraj - President (Finance), Group CFO
Mr. Ashok Sharma - Vice President (Strategic Finance & Company Secretary)
Mr. T G S Gupta - Vice President (Finance)
Mr. Sachin Garg - Associate Vice President (Treasury and Investor Relations)

Moderator: Good day ladies and gentlemen and welcome to the Himatsingka Seide Limited Q1 FY2018 Post Results Conference Call, hosted by Batlivala & Karani 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Gaurav Jain from Batlivala & Karani Securities India Private Limited. Thank you and over to you Sir!

Gaurav Jain: Thank you Mallika. Good evening everyone. On behalf of Batlivala & Karani Securities, I would like to welcome you all for this Q1 FY2018 post results conference call for Himatsingka Seide Limited. From the company we have with us key senior management led by Mr. Shrikant Himatsingka - Managing Director & CEO, Mr. K P Rangaraj - Group CFO, Mr. Ashok Sharma - VP, Strategic Finance & Company Secretary, Mr. T G S Gupta - VP Finance and Mr. Sachin Garg - AVP, Treasury and Investor Relations. I would now like to hand over the call to the management for their initial comments. Thank you and over to you Sir!

Shrikant Himatsingka: Good evening everybody. As always thank you for taking the time to attend the call. We have a few changes in the earnings call format this time around, so I would like to begin with the business update and then take you through the financials. On the business update, the progress on the new spinning facility has been satisfactory and it is on schedule to be commissioned during Q3 FY2018. As communicated earlier, the facility will be equipped with 211,584 spindles and will be the world’s largest spinning facility under one roof. As this spinning facility is the backward integration initiative, its entire capacity shall be utilized by the sheeting division. The company will commence construction for its proposed terry towel facility during the second half of FY2018. More specific dates will be communicated as we finalize specific dates for commencement. The facility will have an installed capacity of 25,000 tonnes per annum as communicated earlier.

The new sheeting capacities and infrastructure that were commissioned during October 2016 have stabilized and going forward our focus will continue to be on enhancing utilization levels while attempting to keep our product mix stable. We also continue to consolidate our brand portfolio and focus on enhancing revenue streams from brands. While we saw revenues from brands coming at approximately Rs.1200 Crores in FY2017, we should continue to see growth as far as contribution from brands is concerned going into FY2018 as well. Given the increase in integration levels in the group, we have altered the revenue reporting as close to 80% of consolidated revenue is from products manufactured by the group. So henceforth we will focus

on sharing consolidated revenue numbers versus manufacturing and distribution numbers separately. However, we will be happy to share percentages of revenues coming in from brands.

We believe this will help simplify the way our business model is currently being viewed. We would also like to share a few things on the recent disclosure with regard to the separation agreement. Certain promoter group members seeking to be reclassified as public shareholders have no role in the organization and their reclassification subject to prevailing regulations will have no impact on the business of theirs on the company. All management personnel will continue with their existing responsibilities. As has already been informed, the credit rating of the company's long-term and short-term debt instruments has been upgraded. For long-term instruments we have been upgraded from CRISIL A-/ Stable to A/ Stable and for our short-term instruments we have been upgraded from CRISIL A2+ to CRISIL A1. Lastly, I would also like to introduce Mr. K P Rangaraj who has joined as President Finance and Group CFO and he has taken office with effect from August 2, 2017. Mr. Rangaraj brings with him a wealth of experience and was most recently associated with the TVS Group.

Moving onto the consolidated financial snapshot. Consolidated total revenue for Q1 FY2018 stood at Rs.538.77 Crores versus Rs.491.94 Crores during Q1 FY2017, an increase of 9.5%. The consolidated EBITDA for Q1 FY2018 was up by 21.6% and stood at Rs.112.14 Crores versus Rs.92.23 Crores during Q1 FY2017. The EBITDA margin also saw improvement and stood at 20.8% as compared to 18.7% for the corresponding period of the previous year. The consolidated EBIT for Q1 FY2018 was up 20.1% to Rs.95.15 Crores versus Rs.79.25 Crores during Q1 FY2017. The EBIT margin also improved to 17.7% versus 16.1% during the previous year. Interest and finance charges for Q1 FY2018 increased to Rs.25.22 Crores versus Rs.23.3 Crores during the previous year. This is predominantly on commissioning of the sheeting capacities during October 2016 and the increase in working capital consequently.

Profit before tax for Q1 FY2018 was up by 25% and stood at Rs.69.93 Crores versus Rs.55.95 Crores during Q1 FY2017. The consolidated profit after tax came in at Rs.50.63 Crores for the quarter compared to Rs.45.35 Crores during the previous year, a growth of 11.6%. Our tax provision for the quarter stood at Rs.19.3 Crores versus Rs.10.6 Crores during the corresponding period of the previous year. The effective tax rate for the quarter stood at 27.6% versus 18.9% last year. Looking ahead we expect our effective tax rates to be in the range of 28% to 30% on a consolidated basis.

A quick look at the treasury and debt positions, the consolidated gross debt as of June 30, 2017 stood at Rs.1,712 Crores of which Rs.1,028 Crores was term debt and Rs.684 Crores was working capital debt. The cash and cash equivalents including investments in liquid mutual funds stood at Rs.177.4 Crores as of June 30, 2017. This was against Rs.113 Crores during the same period last year. Consequently the company's net debt outstanding as of June 30, 2017 stood at Rs.1,534.6 Crores as against Rs.944 Crores as of June 30, 2016. The increase in net debt has been on the back of the new projects among which one has been commissioned in October 2016 and the other one, which is the new spinning facility, is in advanced stages of completion and is currently under capital work in progress.

As far as the leverage ratios are concerned, the debt service coverage ratio on a trailing 12-month basis stood at 2.65 times as against 2.57 times for FY2017. Interest service coverage ratios also saw improvement and stood at 3.65 times in Q1 as against 3.56 times during FY2017. The net debt to equity stood at 1.37 times as against 1.13 times for FY2017 on the back of the capital allocated for new projects. The net debt – net of capital for projects to EBITDA stood at 2.83 times as against 2.70 times during FY2017. On a trailing 12-month basis, the Return on Capital employed came in at 15.4% as compared to 16.5% for FY2017. Net of capital work in progress, ROCE stood at 17.4% for the quarter. The return on equity stood at 18.2% on a trailing 12-month basis compared to 18.6% for FY2017. With this, I complete my update. We will be happy to take questions, over to you.

Moderator: Thank you very much Sir. Ladies and gentlemen, we will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on your touchtone telephone. If you wish to remove yourself from the question queue you may press "*" and "2". Participants are requested to use handsets while asking a question. Anyone who wishes to ask a question may press "*" and "1" on your phone. We have the first question from the line of Vijay Sarda from Crescita Investment. Please go ahead.

Vijay Sarda: Good evening Sir. Congratulations on good set of numbers. Just two things which I want to understand, one is how is the market outlook seems like on the US side and secondly on the pricing in terms of the raw material cotton how is the outlook looking like because if you see in the competitive space people are getting affected because of the raw material prices, and last question is going by the integration that we will be having on sheeting side, what kind of integration we will be having like 70% to 80% of capacity or we will have excess capacity on the spinning side after the capacity get added?

Shrikant Himatsingka: Thank you for questions. With regard to the market environment, the environment is reasonably stable. There is nothing specific that comes to our mind that we feel needs to be communicated, it is business as usual. As far as raw material environment is concerned we have had some pockets of inflationary and deflationary pricing, but by and large as far as Himatsingka is concerned our raw material pricing has been stable as we have shared with stakeholders earlier, we have reasonably long visibility on the revenue front and we therefore take adequate cover on the raw material front and we are not impacted to a large degree with short-term movements. Having said that, we do have some impact coming in, but nothing that is significant. With regard to the third part of your question, which is on the integration level, the new plant will be capable of giving us approximately 50% of the sheeting's yarn requirements, so the rest of the 50% will continue to be outsourced. Of course this percentage is based on certain assumptions, but that is approximately the kind of integration that this plant will provide.

Vijay Sarda: Terry towel, there will be entire integration or terry towel also we need to source yarn from somewhere?

Shrikant Himatsingka: Terry towel will not be sourcing yarns from this facility, this facility has been designed to service the sheeting division.

Vijay Sarda: So terry towel will be only weaving capacity or it will be a mix of both spinning as well as weaving?

Shrikant Himatsingka: The terry towel facility will (a) in the initial period buy yarn from outside and (b) the facility is an integrated facility which will be equipped with weaving, weaving preparatory, weaving, finishing, and all other ancillary requirements that will go into the manufacture of terry towels.

Vijay Sarda: Okay, Sir just last thing in terms of your three-year plan on the Capex, how much of that has been taken place now and how much more is remaining, around Rs.1600 Crores or Rs.1680 Crores?

Shrikant Himatsingka: We have announced a Capex of 1280 Crores, which comprised of three projects, as you know the sheeting project which was commissioned in October 2016 is now stabilized as I mentioned, so that Capex was over in October 2016. The spinning Capex is currently underway and we should see spinning being commissioned as I said during Q3 FY2018 at which point that project will stand completed and therefore we will be left with only one project, while I cannot share specific numbers on Capex vis-à-vis terry because there is some shared infrastructure, given the fact that it is in one campus, but I would say that a substantial portion of Capex will stand concluded with these two projects with only terry to go.

Vijay Sarda: Thank you very much.

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

Resham Jain: Good afternoon. I have three questions. First one is with respect to the ramp up of the new sheeting capacity of 23 million meters, so how is that going? Number two is we have mentioned last time that the initial phase of the ramp up – we may have some product mix, which might not be at the higher end, how is that progressing? Number third is on the tax rate of standalone and the US subsidiary if you can give a separate numbers for these?

Shrikant Himatsingka: As discussed earlier, the capacities that have been commissioned for the sheeting plant have now stabilized. When I say stabilized as you all would understand and appreciate any new capacity that is commissioned would have some settling in period during which efficiencies, productivity and other critical parameters are not behaving in an optimal way, so we have seen that stabilization takes place now and we have placed as we discussed approximately 50% of incremental capacities that were commissioned. As far as product mix is concerned we are happy that the 50% that we have placed already has been on a good product mix and going forward as I said earlier we will continue to watch as to what we onboard vis-à-vis product mix, so I think our focus going forward will be to increase utilization levels further and we might see some changes in product mix as we expand our utilization, but that is something that will be a little difficult to specify at this point.

Resham Jain: Sir on the tax rate?

- Shrikant Himatsingka:** Tax rates; let us take that offline as I said we expect a consolidated ETR of 28% to 30%.
- Resham Jain:** Sir what kind of utilization of the new incremental capacity one should assume let us say going into Q4?
- Shrikant Himatsingka:** I cannot give a specific number, but maybe see some organic growth from where we are currently.
- Moderator:** Thank you. The next question is from the line of Chintan Kotak who is an individual investor. Please go ahead.
- Chintan Kotak:** Congratulations Sir for a good set of numbers. Just wanted to understand on the spinning segment we are having a Capex of around Rs.600 Crores for 211,000 spindles correct?
- Shrikant Himatsingka:** I did not mention any such number in the past.
- Chintan Kotak:** So just wanted to understand the per-spindle Capex for the new spinning unit?
- Shrikant Himatsingka:** While your question is appreciated this is part of a single campus, there is a lot of shared infrastructure and things like that, so I would not be able to share with you per spindle investment, but we have shared that our total investment is in the ballpark of what you mentioned.
- Chintan Kotak:** Is it going to be Brownfield or a Greenfield expansion?
- Shrikant Himatsingka:** It is a Greenfield plant.
- Chintan Kotak:** Second question is where are we buying the machineries for the plant?
- Shrikant Himatsingka:** I cannot disclose the specific technology that we have chosen, but what I would like to say is that not only it is the world's largest cotton spinning plant under one roof, we believe it is probably the most automated plant and will set a new paradigm with regard to production efficiencies, automation, and other critical parameters, so we have selected the best technology the world has to offer across the plant and therefore we expect the plant to deliver best in class parameters.
- Moderator:** Thank you. The next question is from the line of Resham Jain from DSP Blackrock. Please go ahead.
- Resham Jain:** Sir one more question. Looking at this current scenario where we have seen Rupee appreciating in the last six to seven months, have we seen any changes in our overall Capex numbers since a lot of machineries might be imported machinery because there is almost 10% appreciation in Rupee in the last seven to eight months?
- Shrikant Himatsingka:** As far as sheeting is concerned obviously it has no impact. As far as spinning was concerned, we had already taken a position and we do not have any impact coming in from recent appreciation

and as far as terry is concerned yes, we will have the rates that prevail at that time be applicable to the project, so nothing material basically.

Resham Jain: Sir, you have mentioned in the initial remarks that now look at the numbers rather than looking at the manufacturing and distribution separately, look at the standalone numbers and the consolidated numbers separately, it seems that there is a good amount of deviation in terms of the margins standalone margins and the consolidated margins if we look at the previous last seven to eight quarters, which suggests that probably our distribution margin must have improved in this quarter is it the right conclusion?

Shrikant Himatsingka: Resham, actually this was actually in response to several stakeholders who were finding it a little difficult to comprehend the model and we just thought that maybe simpler, considering we manufacture around 75% to 80% of the group's requirements, so we essentially manufacture, distribute, and retail the products that we make and hence for a small portion that we outsource the way we were currently stating the model perhaps was a little confusing to some stakeholders and therefore we decided to change, point #1. Point #2, as far as the margin profile is concerned so whatever margins prevail in the manufacturing part of the value chain will probably be range-bound when you consolidate going forward because maybe a small positive or negative bias, because as I have shared with investors earlier we were looking at close to 5% EBITDA margin on the distribution front. I have also shared with investors earlier especially during previous fiscals we have not been able to touch the 5% mark, which we continue to try. We are seeing improvement on that front. Of course it is not going to materially change the consolidated numbers, but we will continue to stride for getting that 5% mark on the distribution front. Even if we were to hit that since the manufacturing part of the value chain is so substantial vis-à-vis what it used to be, the impact on EBITDA margins on a consolidated basis will be maybe 100 to 150 basis up and down depending on the two, so we just thought it is similar for all stakeholders to see one consolidated revenue number because we manufacture, retail and distribute our products and we will be happy to share how much came from brands and how much came from private label businesses. If any further questions Resham, we will be more than happy to explain it offline.

Resham Jain: Thank you Sir.

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

Arjun Sengar: Good evening Sir. In your brand business can you explain to us what is the model of distribution? Is it mostly EBOs?

Shrikant Himatsingka: Fair question. The group has a substantial distribution network and portfolio in the North Americas. The North America markets are largely driven by large retailers. The concept of EBOs in the home textile space is not prevalent in such markets and therefore the way we reach the consumer with our brand is through retailers. We do have shopping shops and things like that, but we largely reach them through these retailers and not through EBOs.

- Arjun Sengar:** So a brand like CK would be placed in the Wal-Mart for example is that correct?
- Shrikant Himatsingka:** No, that is not correct. The profile of our CK brand is such that it would not go to Wal-Mart, it would be in department stores, and it would be in specialty stores and platforms like that. I would not go to deep discounters like Wal-Mart.
- Arjun Sengar:** It would be in Bed Bath & Beyond?
- Shrikant Himatsingka:** I cannot comment specifically. The brand is currently not distributed in Bed Bath & Beyond.
- Arjun Sengar:** But it does go through the retail network?
- Shrikant Himatsingka:** Platform such as Bed Bath & Beyond is a fair estimate as to where these brands could be distributed.
- Arjun Sengar:** A related question is that I understand the retailers are struggling, some of them are going through financial stress so I would assume that they are probably asking for more promotions from private label suppliers? Before you answer that question, what proportion of private label supply for you, the percentage?
- Shrikant Himatsingka:** As we shared with share holders last year over Rs.1200 Crores of revenue came from brands and this year we expect that number to substantially increase, so our private label portfolio will be relatively small, point #1. Point #2, the specific client base that we deal with had no material change in the way they shop. They are in absolutely good financial health. Of course there has been a marked change in shopping habits given the advent of retailers like Amazon, but we do not see any impact coming through as of yet.
- Arjun Sengar:** In the retailers that you are dealing with?
- Shrikant Himatsingka:** Yes and with regard to the product categories that we deal with, so while the retailer might have had impact on other product categories the SoftHome product category has not been as impacted until now.
- Arjun Sengar:** Let us say in a scenario where the stress increases, is it how it works that they ask you for higher promotions and all to push products, is that how it happens?
- Shrikant Himatsingka:** As far as Himatsingka is concerned, we have not seen. Does that happen from time to time? Yes, but not as far as we are concerned. In fact, we sometimes take proactive measures to promote at which time they say, well if you would like to go through with XYZ promotion you would also have to help fund it, so that is something that is very standard whether is SoftHome or the other categories whether it is international retailers or domestic, that principle holds at least to the best of our knowledge.
- Arjun Sengar:** All the promotional expenses....?

- Shrikant Himatsingka:** I would just like to say that if your question is sort of stemming from the concern that some stress in the brick and mortar sector could potentially dampen and/or damage margins because these retailers will ask for promotions that at least as far as Himatsingka is concerned is not something that I see.
- Arjun Sengar:** Obviously you have made it clear that the retailers that you service are not undergoing that kind of stress as of now, but let us say there are certain retailers who are going through stress and some of them, let us say may not be servicing them as of now, so going forward more and more volume is probably going to go through e-commerce, which is going to dilute the margins to some extent over the next two to three years for the industry what would be your view on that?
- Shrikant Himatsingka:** Unfortunately, e-commerce as far as SoftHome is concerned as a category is not catching up as fast. In one way that is good news and one way it is bad news, but it is just a way the consumer shops I guess. We have been pushing e-com channels for a while, but we have not seen the kind of traction we should, so we are not personally from a company standpoint see anything radical coming our way vis-à-vis the change in channel mix.
- Arjun Sengar:** A slightly different question is that for a brand like CK, etc., the full branding expense, promotion expense and all comes to you or do you share it with CK?
- Shrikant Himatsingka:** We operate just like any other exclusive licensee and therefore all aspects of sourcing, manufacturing, distribution, product development, and other allied expenses are borne by us and the licensor gets its royalty and some other fee depending on the nature of the brand relating to marketing collaterals and things like that, which are typical of brands.
- Arjun Sengar:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Krishna Karwa from MC Research. Please go ahead.
- Krishna Karwa:** Good evening Sir and thank you for the opportunity. I was curious to know as to when will the terry towel facility be operational and what could be the revenue potential of the same?
- Shrikant Himatsingka:** Well, Krishna, as we said the terry towel facility is likely to commence construction somewhere in the second half of FY2018. The specific dates we will communicate when we are closer to the date.
- Krishna Karwa:** Secondly in terms of capacity utilization for the additional 23 million meters sheeting capacity, what is your ballpark figure likely to be for the remainder of the fiscal?
- Shrikant Himatsingka:** Can you repeat your questions please?
- Krishna Karwa:** The capacity utilization rate for the additional sheeting capacity any ballpark figure as to what will that rate be for FY2018?

Shrikant Himatsingka: Well Krishna we do not share utilization level details and/or give guidance on such statistics. As mentioned to a previous query, up to close to 50% of the incremental capacity has been commissioned and this was something we shared with investors during last year as well and we have kept up to that promise and therefore during this year maybe in the latter half we might see some organic increase in utilization levels, but I unfortunately cannot be specific on that front.

Krishna Karwa: Thirdly with Rupee appreciating the Indian home textile majors could possibly lose out to their international counterparts, so what steps have the company taken to hedge these risks?

Shrikant Himatsingka: I think the statement that we could potentially lose out to international counterparts is probably a little exaggerated because this kind of movement is not enough for India to lose its competitiveness, point #1. Point #2, should the currency appreciate or rather the quantum of appreciation that one has seen on the currency thus far, some of it will be mitigated in some form and shape, so there is nothing that I see wherein our competitiveness will depreciate vis-à-vis other countries.

Krishna Karwa: So it is not so much of a cause of concern at this point. Moving on, what is the current contribution of brands to the consolidated revenue of the company?

Shrikant Himatsingka: Last year it was about 50% and this year we should see further improvement on that front.

Krishna Karwa: Corresponding margin of the brands business?

Shrikant Himatsingka: There is nothing called a brands business.

Krishna Karwa: As in the brands subsegment for example?

Shrikant Himatsingka: We urge you to look at us on a consolidated basis. Our EBITDA margins for the quarter came in at 20.8% and as integrated model we manufacture, distribute, and retail home textile products under various brands and our private labels and therefore the consolidated margins is what one should look at because as I said earlier this dissecting could sometimes confuse the model.

Krishna Karwa: Any guidance on the peak debt levels by the end of this fiscal?

Shrikant Himatsingka: No guidances at all, but our debt numbers will climb because the projects continue to make progress and we will also start the terry project, so I believe that we will see some increase on the term debt front because we will be taking more debt on the projects. We will also definitely see increase in net worth as time flies by, so I do not see any cause of concern on that front. Our leverage ratios are perfectly in order.

Krishna Karwa: Any new brand tie-ups that are under consideration or on the agenda?

Shrikant Himatsingka: Well, what we are doing on our brand portfolio front is we are consolidating our portfolio, so we are looking at expanding the scope of the brands that we currently have into both existing and new markets and in both existing and new categories. As far as new brands are concerned, I have

nothing specifically to report about, but we are always on the lookout, but nothing specific at this point.

Krishna Karwa: Sure, so thank you very much and all the very best.

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

Resham Jain: Sir just one final question that is on working capital. As compared to last June how are we seeing this June in terms of inventory dates?

Shrikant Himatsingka: We saw some working capital inflation during the quarter Resham because our product mix is such that we were to stock and service, which is actually good because it creates stickiness and sustainability relatively speaking, but yes we did see some working capital increase, but we hope to see this number plateau now.

Resham Jain: Any number if you can give in terms of absolute increase in inventory amount?

Shrikant Himatsingka: Around 10 million.

Resham Jain: Is it like something related to what typically we see in 2Q end and 3Q we see a good demand due to the Thanksgiving Day and festivals like that, so is that something in anticipation of that we have built in some inventory?

Shrikant Himatsingka: Not in anticipation but on the back of the product mix that is going into the markets since we have started increasing our utilization levels over the last two to three quarters, the product mix that has been placed is requiring that we increase our inventory to service such requirement. As I said the downside is the working capital goes up. The upside is that products that are serviced with inventories tend to have much longer shelf life. Of course that is not a theory that I want you to sort of stick to, but it is just one looking at it from one perspective, but yes we have seen about close to 10 million increase in working capital, but that number is something we believe should plateau broadly speaking.

Resham Jain: And also extending on the working capital further as we will see spinning coming into play from Q3, we will buy cotton instead of yarn and probably our operation period will increase, but our raw material purchase will actually significantly decrease, so how should one look at the working capital requirements?

Shrikant Himatsingka: I think it is a fair question Resham, what we are hoping to do is that broadly speaking even if spinning when it comes on to being commissioned the increase in current assets plus the funding from the sundry creditors plus the reduction on the otherwise purchased yarn will broadly sort of net out and therefore should not see any material increase, as we see it.

Resham Jain: But there will be some overlap of some cotton because you need to buy cotton also and yarn also together?

- Shrikant Himatsingka:** Timing mismatches, you are right. There could be some timing mismatches, but I am sort of looking at the model like now on our stable state. The timing mismatches will come and go.
- Resham Jain:** Perfect Sir. Thank you very much Sir.
- Moderator:** Thank you. The next question is from the line of Dhiral Shah from Asit C Mehta. Please go ahead.
- Dhiral Shah:** Good evening Sir. Congratulations for the great set of numbers. I just wanted to know what the inventory days are?
- Shrikant Himatsingka:** We will get back to you offline. Could you please reach out to us, we will be happy to share that number with you. I do not have it in front of us.
- Dhiral Shah:** Sir has this kind of a margin sustainable or do you have further improvement in margins?
- Shrikant Himatsingka:** I would love to answer that question for you. Unfortunately, it is a tough question to answer, but I think our track record has shown some improvement and it is reasonable for manufacturing to be margin rich, so we hope to be stable on the margin front.
- Dhiral Shah:** Sir when this new terry towel manufacturing will come on stream?
- Shrikant Himatsingka:** As I said we would like to commence the construction for the plant during the second half of FY2018, I know that is a sort of broad indication and we will come back with more specific timelines. The group is sort of sticking to the fact that we will do the project in phases as we outlined and once we commence construction it should be about 12 months from there to setup the plant.
- Dhiral Shah:** That is it from my side. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Hem Agrawal, an individual investor. Please go ahead.
- Hem Agrawal:** Sir great to see the seamless implementation of the integration project, fantastic job and Sir just a simple question. I just wanted to know if we have faced any impact on our revenue and profit figures because of the Dollar strengthening and what do you expect in the next couple of quarters at this rate of the dollar?
- Shrikant Himatsingka:** So firstly thank you very much for your kind words Hem. It is deeply appreciated. As far as the impact of the Dollar is concerned, we will not see much short-term impact because the company follows a very simple hedging policy and as I stated earlier we have a fairly long visibility vis-à-vis revenues over the next 10 to 12 months and we therefore just take simple hedges on the dollar, so short term movements would not affect us, but in pure theory a stronger Rupee would cause some flutter and therefore one will have to take a view on how to make good. That will come through various measures. It will come from a) growth, b) product mix, c) specifications; d)

some price increases if required and a confluence of such measures will help mitigate the appreciation.

Hem Agrawal: Thank you so much.

Moderator: Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference over to Mr. Shrikant Himatsingka for his closing comments. Sir would you like to add any closing comments?

Shrikant Himatsingka: I just like to thank everybody for taking their time out. I hope we have answered most of your questions. We will be more than happy to take any questions offline and give you clarifications. Thank you again.

Moderator: Thank you very much members of the management. Ladies and gentlemen, on behalf of Batlivala & Karani Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.