

REF: HSL/SEC/2023/42

June 6, 2023

To The Deputy Manager Department of Corporate Services BSE Ltd. PJ Towers, Dalal Street Mumbai 400001 Scrip Code: 514043	To The Manager National Stock Exchange of India Ltd. Exchange Plaza, Plot No. C/1, G Block Bandra-Kurla Complex, Bandra (E), Mumbai 400051 Symbol: HIMATSEIDE
---	--

Dear Sir/Madam,

Sub: Transcript of Conference Call.

Ref: Disclosure under Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements), Regulations, 2015

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements), Regulations, 2015, we attach herewith a copy of transcript of conference call held on Wednesday, May 31, 2023.

Please note that the transcript of conference call will also be available on the website of Company.

Please take the same on record.

Thanking you,

Yours faithfully,
For Himatsingka Seide Limited

M. Sridhar
Company Secretary

Himatsingka Seide Limited

A A A A A A A
A AC A A A A
A BO A AGA BO A A
A
CIN A

www.himatsingka.com



Himatsingka Seide Limited
Q4 and Full Year FY '23 Post Results Conference Call
May 31, 2023



MANAGEMENT: **MR. SHRIKANT HIMATSINGKA – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – HIMATSINGKA SEIDE LIMITED**
MR. DILIP PANJWANI – EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER, STRATEGIC FINANCE – HIMATSINGKA SEIDE LIMITED
MR. SIVALAI SENTHILNATHAN – SENIOR VICE PRESIDENT AND CHIEF FINANCIAL OFFICER, MANUFACTURING OPERATIONS – HIMATSINGKA SEIDE LIMITED
MS. SHILPA SHANBHAG – VICE PRESIDENT, STRATEGIC FINANCE – HIMATSINGKA SEIDE LIMITED

MODERATOR: **MS. PRERNA JHUNJUNWALA – ELARA SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Himatsingka Seide Limited Q4 and Full Year FY '23 Earnings Conference Call hosted by Elara Securities India Private Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 star then zero on a touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Prerna Jhunjhunwala from Elara Securities India Private Limited. Thank you, and over to you.

Prerna Jhunjhunwala: Thank you, Ranju. Good evening, everyone. On behalf of Elara Securities India Private Limited, I would like to welcome you all for 4Q and Full Year FY '23 Post Results Conference Call of Himatsingka Seide Limited. Today, we have with us the senior management of the company, including Mr. Shrikant Himatsingka, the Managing Director and CEO; Mr. Dilip Panjwani, Executive Vice President and CFO of Strategic Finance; Mr. Sivalai Senthilnathan, Senior VP and CFO, Manufacturing Operations; Ms. Shilpa Shanbhag, Vice President, Strategic Finance. I would now like to hand over the call to Mr. Shrikant Himatsingka: for opening remarks and business update. Thank you, and over to you, sir.

Shrikant Himatsingka: Thank you very much. This time around, we are presuming that we've gone through the financials, obviously, the stand-alone consolidated quarterly and FY financials. So I would like to welcome all of you, and thank you for taking the time today. I'm going to take you through a brief business update and then open the floor to questions. I think that will be better in terms of giving more time to question and answers.

So on the business update front, our Q4 FY '23 operating performance continued to demonstrate progressive improvement on the back of improved capacity utilization levels, softening raw material prices and the marginal easing of energy costs.

As a result of the above capacity utilization across our plants, witnessed sequential improvement during the quarter, the capacity utilization levels at our manufacturing facilities stood at 98% for our spinning division, sheeting division was at 61%, and the terry towel division was at 65% for the quarter. The revenues from brands for the quarter stood at INR424 crores versus INR548 crores during the same period last year. And for FY '23, the revenue from brands came in at INR1,713 crores versus INR2,260 crores during FY '22.

We continue to see improvement on the demand front as our global clients have made significant progress in optimizing inventory levels that in turn will facilitate improved order cycles and key raw material prices continue to see gradual softening during the quarter. We've also successfully completed the fund raise of INR560 crores from the International Finance Corporation

Washington during the quarter, and this includes INR100 crores of foreign currency convertible bonds.

On the debt front, we continue to deleverage. And our net debt for Q4 FY '23 stood at INR2,587 crores versus INR2,639 crores at the end of Q3 FY '23. This was a short business update on our side. And I would just like to share some thoughts and the outlook before I open to Q&A.

The last time we spoke, I did share with stakeholders that we are focused on progressive improvement starting in the second half of the fiscal. And that's what we have seen during Q3 and Q4. And going into FY '24, we see the same theme playing out during the year. We will be focused on clocking progressive improvement as we move through the fiscal.

As we see things at this point, raw material prices have softened during Q4 and we think it will now be range down at these levels as we see it today. And on the demand front, we are beginning to see an uptick in demand, which I believe will aid our progressive improvement through this fiscal.

I'll now open the floor to Q&A. Please feel free to ask me any questions that you like.

Moderator:

The first question comes from the line of Bhavin Chheda from Enam Holdings.

Bhavin Chheda:

Yes. Congrats on a good quarter and strong turnaround with positive profit. Sir, few questions, first, on the leverage side, you have raised money from IFC. If you can give us what's the average cost of that money. I think there's an FCCB component.

So at what share price it is convertible and your overall -- I think net debt in the presentation stands at INR2,587 crores. So can you give us what's the average cost of the overall debt to give some guidance on the interest cost going into FY '24 and also the repayment schedule of the debt.

Shrikant Himatsingka:

So thank you, Bhavin. So the IFC debt that we just raised and we have FCCB that we just raised, we divide into 2 buckets. One is the NCDs that we placed, which is for about INR460 crores and INR100 crores of FCCBs that we place. The cost of the NCDs are comparable to current prevailing INR debt costs. And the FCCBs, as we had said in our disclosures have an YTM of 4.5%. We have been conscious of making sure that the tenor is something that is long term and the debt we have raised is 12 year money. So that's about IFC.

Bhavin Chheda:

What will be the overall cost of debt? And any guidance on interest costs for next year?

Shrikant Himatsingka:

Overall cost of debt is in the vicinity of just under 10% or around that region, approximately 10% and fluctuates because of floating interest rates. And as far as overall cost, interest costs are concerned with our deleveraging sort of focus, we hope to bring that down a little. The second theme is continued focus on working capital cycles and we have reduced inventory during this fiscal by approximately INR300 crores.

We will continue to work on optimizing working capital cycles. And the deleveraging pace that I just spoke about. So with these 2 objectives, we will see our interest costs, correct a little during

the fiscal. We have not very much of principal repayments this year. I'll be happy to share that off-line, but it's a very, very marginal number for FY '24.

Bhavin Chheda: Sure. And my last one on the capacity utilization. You achieved decent improvement in quarter-and-quarter in quarter 4. So what's the trend looking like because from the other peers also who have already declared their results and given guidance, we are seeing very strong utilization. So you reported sheeting division at 61% and terry towel at 65% in quarter 4. So are you seeing a significant improvement there going into FY '24.

Shrikant Himatsingka: Yes. I think we should make progress on that front. As we go through the fiscal, I can't comment on what my peers have done. But as far as Himatsingka is concerned, we will continue to see improvement in utilization levels across our facilities in going into '24.

Moderator: Next question comes from the line of Rusmik Oza from EquiResearch.

Rusmik Oza: Thank you for the opportunity. I wanted to know, out of the total quarter we use, how much is imported, especially from U.S. and how much is procured domestically because internationally, U.S. cotton prices have corrected sequentially over the last few months, but Indian cotton prices remain little sticky. I just wanted to understand this piece.

Shrikant Himatsingka: Unfortunately, it fluctuates from quarter-to-quarter depending on the product mix. But you're right that U.S. cotton prices have corrected, Egyptian cotton prices have corrected. Indian cotton prices have softened as well. So I think all in all, we can't be specific about how much is U.S. cotton and how much is Indian cotton because it fluctuates. But I think we should stand to benefit on all 3 fronts progressively as we make our way through the fiscal.

Rusmik Oza: Okay. A related question, sir, what kind of improvement we can expect in gross margins keeping in line that cotton prices have come down in FY '24 vis-a-vis FY '23?

Shrikant Himatsingka: I think, you know, hold on for a second, I think Q4 is a good sort of you know, we have made progress in terms of margins in the fourth quarter, and we should see some marginal improvement from here going into '24.

Rusmik Oza: Okay. Sir, my second question is related to the logistics and shipping costs. Because last year, this is one expense which has hit us and also energy costs had shot up last year. How do these 2 expense items look in FY '24? And how could that lead to EBITDA improvement in FY '24 vis-a-vis FY '23?

Shrikant Himatsingka: So the supply chain costs have significantly cooled down. So there were 3 major buckets: raw material, energy and supply chain. So supply chains sort of cooled down significantly. It's largely factored in. Energy is not a softened as much as we would have wished, that remains, it has definitely softened from its highs, but it's not corrected as much as raw material, for example. So we're going to be waiting and watching as to how the energy prices pan out, but we would see some benefit coming in from energy and definitely from raw material, as we discussed.

Rusmik Oza: We did 18% EBITDA margin in Q4, sir. So can we expect it to grow around 20% for the whole of FY '24?

- Shrikant Himatsingka:** Unfortunately, I can't answer that question specifically, but I think, of course, there will be variations from quarter-to-quarter depending on product mix and things of that nature. We have spoken about the fact that our model generally should be in the region of 18% to 20%, 18% to 21%, somewhere there. Historically, that's what we have dropped. So there's some scope for improvement on that front. But then again, there could be fluctuations between quarters.
- Moderator:** Next question comes from the line of Manish Dhariwal from Fiducia Capital Advisors Private Limited.
- Manish Dhariwal:** I wanted to understand, why is sales down Q-on-Q because we were actually moving up on the curve, on the improvement curve. So we actually see that Q4 sales is down compared to Q3. So could you help us understand that.
- Shrikant Himatsingka:** These are ordinary course fluctuations, Manish. Q3 is a little more seasonal than Q4 in our business. Sometimes it's spread between Q2 and Q3. Sometimes it's more Q2, depending on client preferences. Q4 tends to be a little soft. But as far as I see, we are in the region of INR700 crores. We seem to be okay, as I see it. And we seem to be in line for improving this further as we go into the fiscal.
- Manish Dhariwal:** Okay. As a follow-up, how does the seasonality work in our business. You mentioned about Q2, Q3.
- Shrikant Himatsingka:** It's very simple. Either Q2 or in both Q2 and Q3, there is uptick because international market prepared for Christmas. So there's some heightened bang and so on during those quarters. There is no definitive pattern, but that's broadly what we've observed, it could fluctuate.
- Manish Dhariwal:** Okay. I get that. Secondly, I noticed that our asset turnover ratios, which historically used to be around 2 are now kind of remaining at around 1. So going forward, is that a metric that you guys are kind of focusing on? Is it a matter of concern? Because improved asset turn will significantly improve your return ratios.
- Shrikant Himatsingka:** So basically, the asset turn took a little hit because the capitalization of our backward integrated spinning plant doesn't throw up any external revenues. So including working capital, approximately over INR800 crores of assets were commissioned that was essentially for backward integration requirements. So that is what depressed the asset turn, but the benefits were supposed to come through in the EBITDA, which is what was happening until we hit a volatile phase post COVID and we are now in the process of correcting that.
- Manish Dhariwal:** Okay. So once that kind of situation correct, then should we assume that our EBITDA margins, the range that you mentioned between 18 to 21 will kind of move up a little bit?
- Shrikant Himatsingka:** No, it should settle in that region, and we should be able to deliver, we target rather to deliver ROCs up in the region of 15%. So once our model sort of settles back in again.
- Manish Dhariwal:** Okay. And also our branded business, meaning what kind of differential in the margins it brings us vis-a-vis the other side of the business.

Shrikant Himatsingka: Because I've been asked this question before, and it's a good question. It's difficult to pinpoint the margin differential that comes in through branded revenues. It's a couple hundred basis points at best because their costs attached to brands. And sometimes, it's neutral. I mean, it's a part of the private label. But what it does do and for us is that it gives us better positioning and it also gives us more revenue stickiness, if you will, from a standpoint of what we offer our global clients in terms of favourable textile solutions.

So it helps us be positioned better. It helps us add, give more value add, give a broader assortment of products, give a broader set of options to our global network of clients. It's the margin differential in the end is not necessarily significant. It could also be neutral.

Manish Dhariwal: Okay. Okay. Okay. Lastly...

Shrikant Himatsingka: So today, Himatsingka operates a bunch of international brands, Tommy Hilfiger, Kate Spade, Calvin Klein and Himatsingka leads the way on comprehensive in total traceability solutions in cotton, and we operate our own cotton brands and so on and so forth. So the branded portfolio is not necessarily something that will make our numbers have an edge. It's more our positioning, our solutions and our stickiness of revenue that's really the benefit. And we can be shuffling our brand portfolios from time to time depending on the cost benefit analysis of that brand.

Manish Dhariwal: Okay. I understand. So going forward, you see, I think one of the challenge that we face is on the balance sheet where our debt is significantly high. And the way we don't have control over the pricing on our finished goods, it might take us some time. Now given that overhang that we have and also you muted your equity a bit, say, about INR100-odd crores. So we do not know at what price that is going to be diluted at. So what is your plan on future in terms of capacity enhancement and things like that.

Shrikant Himatsingka: Yes. So I understand your question and let me throw some light on it. So the good news is that Himatsingka has done with its capacity expansions over the last few years just prior to COVID actually. And we set up our new greenfield spinning plant, which was the world's largest under one roof. We set up amongst the 5 largest integrated terry towel plants. We completed our brownfield expansion in sheeting and enhanced our capacity to 61 million meters per annum. Our daily capacity stand at 25,000 tons per annum and our spinning capacity stands at 211,584 spindles.

All our assets are in place, and this was something that we were going to sort of sweat. Unfortunately, we went through a phase post COVID where the model saw a lot volatility for 3 main reasons. One was COVID itself. It normalized after COVID, but then we were hit by hyperinflation on the raw material side and then it followed by a sudden dip in demand that transpired during FY '23. So it was sort of 3 things in succession back to back, which sort off took a toll on our operating performance.

Now the worst is behind us, we are sort of catching back, catching back up with our performance metrics and our model, and we are designed to be able to deliver in the region of INR4000-plus crores of output from the assets that we have commissioned. We have spoken about the kind of EBITDA margins that is possible to achieve and we have been achieving in the past.

So the math is pretty obvious. And once you look at it from that lens, as far as our leverage ratios are concerned, there's no doubt about the fact that it's currently high. I've been very transparent on that front with stakeholders. This is not where we want to be. But historically, up until this volatile period, we had basically 2 essential metrics that we made sure we that adhered to. One was our net debt-to-EBITDA was something that we'd like to maintain at 3.5x or lower and our DSCRs used to hover in the region of 1.8% to 2.2%. So we endeavour to get back to that level as we progress.

From June 22, we were at debt levels, which were substantially higher. We have corrected gross debt about INR300 crores since June. We continue to correct it in Q4. So on the one hand, the EBITDA will improve. On the other hand, our debt will reduce, and that's what will cause the leverage ratios to correct.

Moderator: Next question comes from the line of Dhananjai Bagrodia from ASK.

Dhananjai Bagrodia: Maybe I missed this earlier, but this is just a little bit on the final product. How is the demand in each of the countries? And how are we seeing that now because we target has a \$500 million loss, Inventory loss. So how is their demand coming along and other players along in U.S?

Shrikant Himatsingka: That might be a client-centric development. Generally, we are seeing a reasonable improvement in appetite as far as demand is concerned. The FY '23 was pretty dismal on the demand front and we've all shared with you why and the reasons for the low demand during the year. But now we are seeing appetite come back. And as I was telling somebody earlier, as we go through the fiscal, we think that there will be improvement on this front. There could be buckets where you read news items or occurrences that might suggest something else. But if I look at it thematically, it seems to be in a much better position than what we saw in FY '23.

Dhananjai Bagrodia: So any particular regions which are showing better demand?

Shrikant Himatsingka: Yes, because fundamentally, there was a lot of inventory correction that was taking place vis-a-vis clients. They were overstocked. They needed to collect their weeks of supply and this was something that we saw industry wide. And that was the most important of all the reasons that caused the dip in demand.

That's largely sort of done and dusted. It could be still going on in some pockets. But again, from a macro standpoint, it's an initiative that's been on for pretty much the whole fiscal and hopefully, this is not something that form the table anymore because it's largely done.

And then there could be other reasons which are region centric or client centric. But I think this was the primary reason. There was also a sense of caution in the air in terms of wait and watch and let's see how things unfold and so on. But I think, as I was saying, we do see some -- we do see reasonable improvement in appetite. But it's not just that.

As a company, we are focused on tapping new channels, new clients, broadening our product mix and the assortments that we offer. So it's not just waiting for the appetite to improve. We are also making proactive efforts to place more, to get more market share and to basically tap markets and regions and clients in a more holistic way.

So that's an effort that continues to sort of unfold. The commissioning of our terry towel plant also gives us access to a host of new clients. We have been fairly satisfied with the addition of new clients that we have done over the last couple of years. And so all of these things also have to be kept in mind when looking at the uptick in revenue streams that we expect.

Dhananjai Bagrodia: Okay. And lastly, would there be any supply disruptions or any supply problems with any other geographies in terms of any other countries having any issues? Or are we going to see growth as broad-based for all countries together?

Shrikant Himatsingka: I mean things could drop up...

Dhananjai Bagrodia: At the moment, nothing of that sort, right?

Shrikant Himatsingka: Nothing on our radar at this point, yes.

Moderator: Next question comes from the line of Riya Mehta from Aequitas Investments.

Riya Mehta: Congratulations on good set of results and thank you for giving me the opportunity. My first question is in regard to how is the demand scenario in other countries like China, Pakistan, Vietnam and Bangladesh, what is the global scenario?

Shrikant Himatsingka: Thank you for the question Riya. As far as we are concerned, Asia Pacific has not been a very large market for us because of the nature of fragmentation, although we have made a lot of inroads over the last couple of years. But Asia Pacific has other, let's say, developments which are of relevance to us, right? We've all been talking about the China plus one sort of team that seems to be playing out.

My own observation is that as far as our industry is concerned. And as I see it, it seems to be becoming a little more intense before China plus one thing. As in there seems to be a lot of migration opportunities in store. And a lot of it's been activated in various stages. So that's the theme that's playing out. It is real. Remains to be seen how much one can capture, but it is real.

The other team that's playing out our plate is the opportunity that India tends to tap, given the issues and challenges faced by Pakistan that something else that dropped up on the radar of late, and that seems to be a macro theme/opportunity that one should keep in mind.

It may or may not translate to specifics, but it's just something that I wanted to share. And so I would say these 2 things are very important when it comes to considering medium-term opportunities in this space. The demand side, as I was just sharing with somebody that there seems to be a reasonable improvement in demand starting in the second half of the fiscal.

And the main reasons that caused the demand to bid, which was essentially inventory corrections and so on that transpired during FY '23. That seems to be largely sort of concluded. And we see appetite coming back. There could be exceptions. These client specific exceptions. There could be some regional, subregions, specific exceptions. But thematically, we see improvement in appetite.

- Riya Mehta:** Got it. And my second question is in regards to the quarterly crop in India. So per se, the estimate which will be in the production has been lower than the because of the rains .So how is the crop panning out? And what will you guide for the prices going forward? Since the crop is inadequate lower than estimated?
- Shrikant Himatsingka:** I mean, as I said earlier, the crop and crop estimates will continue to be subject to change. But regardless of what the crop size is estimated to be, Q4 saw some marginal softening of raw material prices of Indian cotton. And as we currently see things, it should be range-bound here. We shouldn't see volatile fluctuations.
- At least we have no reason to believe so. Things could crop up, as we all understand in the today's environment is not everything that one can predict. But we see it to be range bound at this point. Of course, we circle back shortly next quarter and share what our observations have been, but this is how we look at it right now.
- Riya Mehta:** How much of the inventory levels for how many months inventory will we be having right now for quarter?
- Shrikant Himatsingka:** Not very much. Under maybe it fluctuates, but maybe about less than a month.
- Riya Mehta:** Okay. And even for the imported quarter, it is one month kind of an inventory we keep.
- Shrikant Himatsingka:** No. I mean, I'm just giving you what's at the plant. There could be pipelines and so on and bookings. But yes, physically, we don't see any need to keep more than that.
- Riya Mehta:** And how many months of do we contract for the quarter?
- Shrikant Himatsingka:** There is no specific methodology we follow. It depends on the varieties of cotton. It depends on a host of factors, but it could range from very short periods to relatively long periods and taking calls for maybe 6 months. But again, that's subjective and depends on several nuances.
- Riya Mehta:** Okay. My second question is in regards to your finance cost for the current quarter, we're seeing I think INR48 crores versus INR70-plus crores earlier. So what has led to this and what kind of an financial do we foresee going forward because we are not repaying any significant debt going forward. So your input on that.
- Shrikant Himatsingka:** Yes, there were some -- which I had shared during the last call, I was asked about some subsidies that we did get on interest. And for a brief, I think, period of I think 3 quarters that subsidy has ceased to be something that we were taking. But I did mention that we will shortly be resuming to get some subsidies on that front, which has been the case over the years. So that's what has resumed. And there were some benefits accruing out of that during the quarter.
- Riya Mehta:** So that would be sustainably right, those benefits?
- Shrikant Himatsingka:** Yes. But we have a current net debt of about INR22,587 crores, average cost of debt is in the region of 10%. So I think for you to compute your interest costs do bear that in mind. And then from there, there will be some additions of charges and reductions of some subsidies.

- Riya Mehta:** Okay. There will be further reduction of subsidies going forward from next quarter?
- Shrikant Himatsingka:** No, no. So how one has to just sort of piece the puzzle is that you have your debt and an average cost of 10%. And that one would have to add, I guess, like charges, interest and bank charges and so on, and then you have to subtract the subsidies. So I think that's how you should be computing.
- Riya Mehta:** So these subsidies there would be for a long period of time? Or what is the basis of the subsidies. Could you just elaborate?
- Shrikant Himatsingka:** Yes. We should assume that to be around for the next couple of years. And then we'll have to take a fresh look at it.
- Moderator:** Next question comes from the line of Surya Narayan from Sunidhi Securities.
- Surya Narayan:** Just want to understand if you can quantify the average realization of your seat this year versus last year?
- Shrikant Himatsingka:** Yes, this is -- it fluctuates. So it's difficult to sort of if you were to base your model on that, I understand where you're coming from, but let's have a chat offline so that I can explain how the model works for your assumptions and computations. But an average realization, I can't be specific about.
- Surya Narayan:** Okay. So another point is that how much in our fabric sorry, fibre, how much is imported and how much is domestic? And apart from cotton, are we also dealing, I believe, for upholstery items we could be dealing with some other manmade fibres. So if you can quantify in terms of percentage, what is that?
- Shrikant Himatsingka:** So it's largely cotton. Our upholstery division is a very small division. So even if it does use other fibres, it wouldn't really add up too much. So cotton would be in the high 90s in terms of percentage.
- Surya Narayan:** So out of that import content is how much, sir?
- Shrikant Himatsingka:** It keeps fluctuating. So there's no set percentage. There could be a quarter where it's low and there could be a quarter where it's higher. So it's difficult for us to pinpoint how much is imported. But I think what one can do is focus on the overall gross margin of the business regardless of the type of cotton.
- Surya Narayan:** Okay. And sir, if you, let's say, rate your expectation of, let's say, U.S. inventory I mean, the store-level inventory, let's say, 100 level. So to what extent it has corrected have been fielded. I mean we are hearing that it has corrected significantly and it has given a rise to some kind of uptick in demand in the second half of last year. So is it still going on? Or again, it will subside.
- Shrikant Himatsingka:** It's not going on anymore. In fact, there was a correction going on.
- Surya Narayan:** Yes, yes. That is what correction only I am asking.

- Shrikant Himatsingka:** The correction is largely over at this point. See, there could be exceptions, which are client-specific, but thematically, whatever had to be reduced, has largely been achieved at this point. They could reconsider their sounds want to do more. But to the best of our knowledge, it's in the last stages of completion.
- Surya Narayan:** So sir, traditionally, Pakistan has been a very efficient seat makers. And also there cotton quality is better than us. So in that light, how was they are efficient than us in terms of gross margin? Or any idea that how much they are efficient, Number two, due to the crisis that is currently in the Pakistan, have you received any new orders from any new customers deal with that?
- Shrikant Himatsingka:** So to the first, it will be difficult for us to quantify efficiency of Pakistan, right it will be difficult. And had essentially two advantages playing out largely speaking. They had a currency which was depreciating let's just say, unreasonably fast levels because of the situation I guess.
- And the second was that they have preferential access to several jurisdictions in terms of duties. So these were the two things that made them attractive for certain time. And now because of the challenges that are playing out in that region. We have received inquiries, and we've also received orders that were formally being done in Pakistan and are now being shifted to India.
- Surya Narayan:** Okay. And sir, regarding your other FDA issues I mean, you suppose FDA were to be signed in July, what we are hearing from industry people from U.K. and Canada and later on from the EU. Because we can see some kind of bargain from the parties because they are facing issues due to the inflation issues. So are we going to see some kind of or sacrifice, some kind of the margin and because they will obviously be pointing that will be at an advantage level of to the tune of around 10% to 11%. So how we are getting -- how you see that scenario?
- Shrikant Himatsingka:** It's very simple. If we sign FDAs with jurisdictions like Australia, all of these zones and jurisdictions it may not sort of result in significant movements. But if we were to look at jurisdictions like U.K. and the EU, and if that's something that India does manage to push through, there's a very strong case for the buying side to consider India for obvious advantages that they will get.
- Surya Narayan:** So in that case, will they ask for any sort of bargain you foresee?
- Shrikant Himatsingka:** Yes, they could. I don't put it past them. I think it's something that they might request for, but it will still be added opportunity and incremental business with incremental margins.
- Surya Narayan:** So if that be the case, then what is our position vis-a-vis at least not for, let's say, Pakistan or Bangladesh. Seeing the 10% advantage that you will be getting. So what is the priority we are with, let's say Pakistan and Bangladesh?
- Shrikant Himatsingka:** Even in recent situations, there's been dialogue and they have challenged India on pricing and India has risen to the occasion. We look at this in the medium term. We don't look at everything short term. And I think, speaking from standpoint of Himatsingka, we are ready and capable. There could be a couple of opportunities we reject, but then there will be several that we'll accept. So all in all, I think it will be again and I think we are ready to play.

- Surya Narayan:** Okay. And sir, apart from the cotton side, are the raw material prices, how -- I mean, in chemicals and other processes, how those inflation has been? Has it corrected also? Or is it on the higher side still?
- Shrikant Himatsingka:** As I said earlier, I mean, cotton is corrected on its highs.. We saw some corrections happened in Q4 as well. But I think from now, it will be range bound. It's difficult to predict the commodity beyond the point. As far as rise in chemicals and things like that is concerned, it's been largely stable over the last few months as we see it. And as far as energy is concerned, there's been a marginal softening. It could have been a little better than that, but it's marginal at this point. And supply chain has corrected significantly.
- Moderator:** Next question is from the line of Rishikesh Oza from Robo Capital.
- Rishikesh Oza:** Sir, my question is one company, Bed Bath & Beyond. They have filed for bankruptcy. So do we have any receivables on there?
- Shrikant Himatsingka:** No, we do not. But we have reduced our exposure even during the fiscal significantly. So it won't have any material impact on us from a revenue standpoint or a receivable standpoint.
- Rishikesh Oza:** Okay. Okay. Sir, my second question is just with respect to the revenues. So with the current improvement, fair to say, by Q1 or Q2, we can go back to our INR800 crores of quarterly run rate.
- Shrikant Himatsingka:** Unfortunately, I can't specifically outline that number for you. But as I was sharing with everybody, we are focused on the currency in the 700 to 750 range, and we are going to done for progressive improvement from here. So I think you should keep that in mind while building your model. And if that's the case, then we should sort of keep seeing improvement from these levels. There could be fluctuations sometimes between quarters. But generally speaking, we should sort of ride on the improvement on the demand front that we are seeing.
- Rishikesh Oza:** Okay. And sir, just one final question. In current quarter, we are seeing interest cost of around INR48 crores. So can we expect this cost to be like to continue for the future quarters to?
- Shrikant Himatsingka:** No. As I was just sharing, we have, we can't assume this cost because the way you should conclude it is -- I mean, you should just look at you should maybe look at in the region of probably INR70 crores, there about INR65 crores, INR70 crores plus, minus for the quarter.
- Moderator:** Thank you. Ladies and gentlemen, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.
- Shrikant Himatsingka:** As always, it's such a pleasure to have interacted with all of you. I do hope I answered most of your questions. If you have anything further to ask and to clarify to get in touch and we will be happy to take you through your queries to the best of our ability. Thank you once again for taking the time. Thank you.
- Moderator:** Thank you. On behalf of Elara Securities India Private Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.