

Earnings impacted due to margin contraction;
business recovery on track

CMP: Rs 122

Rating: Unrated

Stock Info

BSE	514043
NSE	HIMATSEIDE
Bloomberg	HSS IN
Reuters	HMSD.NS
Sector	Textile
Face Value (Rs)	5
Equity Capital (Rs Cr)	49
Mkt Cap (Rs Cr)	1,205
52w H/L (Rs)	152/ 43

Shareholding Pattern %

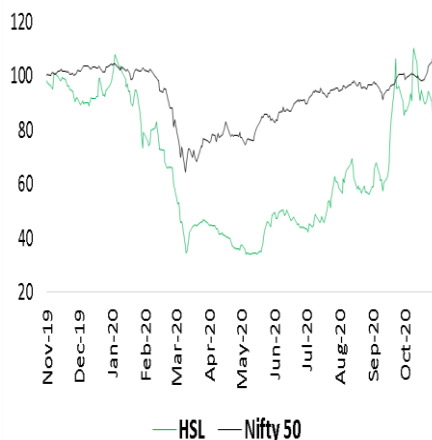
(As on September, 2020)

Promoters	47.6
FII	2.4
DII	15.0
Public & Others	35.0

Stock Performance (%)

	3m	6m	12m
HSL	45.5	144.8	-12.5
Nifty 50	12.6	38.0	7.01

Price Performance Chart



Himatsingka Seide Limited (HSL) has reported weak performance during Q2FY21, largely due to margin contraction and lower topline growth. The revenue for the quarter stood at Rs 653 Cr, which grew by 1.5% YoY. EBITDA for the quarter de-grew by 31% YoY, was impacted on account of covid related interruptions at the manufacturing facilities during the months of August and September. During this period, Company were constrained in operating its facilities at the required levels of utilization, which resulted in lower manufacturing throughput, reduced gross margins and a lower operating EBITDA. EBITDA margin for the quarter stood at 13.9% as compared to 20.3% YoY. In addition, its operating performance was also impacted by Foreign exchange loss of 10 cr during the quarter. Profit for the quarter decreased sharply by 89% YoY to Rs 4 cr. However, company has turned back into profit from the previous quarter's huge loss of Rs 140 cr.

Key Highlights Q2FY21:

Capacity utilization status

- The ramp up of capacity utilization levels at new Terry Towel facility remained on track and it is expected to increase during the H2FY21.
- The capacity utilization levels at Sheeting facility is also expected to surpass pre-covid level during the second half of FY21.

Debt of the company came down: In H1FY21, the company has reduced consolidated gross debt by Rs 222 cr and net debt by Rs 236 cr. In addition, Company remains focused on optimizing the working capital cycles and has reduced inventory levels by Rs 290 cr during H1FY21.

Q2FY21 demand relatively better: The demand for soft home products across the key markets is robust and therefore order books for H2FY21 remains strong. With the demand picking up, we expect a recovery in H2FY21 and sales picking up as terry towel production is expected to increase and Sheeting facility production level are expected to surpass pre-covid levels.

Management comment: Management feels confident about Q3FY21 performance of the company with strong operating performance, robust order books and more stable manufacturing operations. In addition, deleveraging the balance sheet, sweating its manufacturing assets and enhancing market share across geographies will remain central areas of focus.

Sector Update: Cabinet has announced PLI scheme for Textile industry with an allocation amount of Rs 10,683 cr. The scheme provides incentives for manufacture and export of specific textile products made of man-made fibre (MMF). India's share in manmade fibre is low globally and the scheme will attract large investments to further boost domestic manufacturing, especially in MMF segment and technical textiles. The impact of this stimulus in generating job opportunities will be maximum in labour intensive apparel sector.

View: With the gradual revival in the economy and pick up in demand, the management remains optimistic on future performance by focussing on diversifying both its market as well as its product offerings. Hence, looking both into the company's likely increase in capacity utilisation to help topline, and demand pick up, we believe HSL will recover rapidly in terms of business.

Quarterly

Profit & Loss Statement (Consolidated) (Rs Cr)	Q2FY21	Q1FY21	Q2FY20	QoQ	YoY
Net Sales/Income from operations	653	179	644	265.1%	1.5%
Expenditure					
Consumption of Raw Materials	127	48	186	162.4%	-31.7%
Purchase of Traded Goods	38	20	120	87.4%	-68.6%
Increase/Decrease in Stocks	217	64	13	236.4%	1545.0%
Employees Cost	62	53	67	16.3%	-7.9%
Depreciation	39	38	26	3.5%	50.6%
Other Expenses	120	78	127	53.1%	-5.9%
Total Expenses	602	302	539	99.3%	11.7%
Other Income	6	4	10	57.8%	-37.2%
P/L Before Int., Excpt. Items & Tax	58	-119	115	NA	-49.7%
EBITDA	91	-85	131	NA	-30.6%
EBITDA Margin (%)	13.9%	-47.5%	20.3%	NA	-644bps
Interest	47	45	47	4.6%	1.3%
Exceptional Items	0	0	-7	0.0%	0.0%
P/L Before Tax	10	-164	61	NA	-83.3%
Tax	6	-24	27	NA	-76.3%
Net Profit/(Loss) For the Period	4	-140	34	NA	-88.8%
PAT Margin (%)	0.6%	-78.3%	5.3%	NA	-471bps

Source: Arihant Research, Company Filings, Ace Equity, Bloomberg

Key Financials

Consolidated Profit & Loss Account (Rs Cr)	FY17	FY18	FY19	FY20
Income				
Revenue From Operations	2,036	2,103	2,460	2,358
Other Operating Revenues	102	146	157	0
Total Operating Revenues	2,138	2,249	2,618	2,358
Other Income	13	18	37	62
Total Revenue	2,152	2,267	2,654	2,420
Expenses				
Cost Of Materials Consumed	847	788	790	690
Purchase Of Stock-In Trade	531	581	685	422
Changes In Inventories	-150	-184	-186	20
Employee Benefit Expenses	197	209	257	280
Finance Costs	94	104	163	195
Depreciation And Amortisation Expenses	58	72	109	126
Other Expenses	337	406	528	528
Total Expenses	1912	1976	2346	2261
Earnings Before Exceptional Items And Tax	239	290	308	158
Exceptional Items	0	0	0	-73
Total Tax Expenses	57	89	111	72
Profit/Loss For The Period	182	202	197	13
Profit Margins (%)	8.5%	9.0%	7.5%	0.6%
Basic EPS (Rs.)	19.0	20.0	20.0	1.4
Diluted EPS (Rs.)	19.0	20.0	20.0	1.4

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Consolidated Balance Sheet (Rs Cr)	FY17	FY18	FY19	FY20
Equities And Liabilities				
Equity Share Capital	49	49	49	49
Reserves and Surplus	1018	1178	1372	1311
Total Shareholders Funds	1067	1228	1421	1360
Non-Current Liabilities				
Long Term Borrowings	740	1217	1678	1734
Deferred Tax Liabilities [Net]	1	8	37	45
Other Long Term Liabilities	55	227	285	289
Long Term Provisions	15	15	20	20
Total Non-Current Liabilities	810	1466	2020	2088
Current Liabilities				
Short Term Borrowings	609	943	978	1033
Trade Payables	261	351	442	372
Other Current Liabilities	144	227	341	417
Short Term Provisions	2	4	2	3
Total Current Liabilities	1016	1525	1764	1824
Total Capital And Liabilities	2893	4219	5205	5272
Assets				
Non-Current Assets				
Tangible Assets	878	1839	1838	3046
Intangible Assets	52	45	101	111
Capital Work-In-Progress	113	32	634	173
Intangible Assets Under Development	0	0	0	0
Fixed Assets	1043	1917	2573	3329
Non-Current Investments	0	7	7	0
Deferred Tax Assets [Net]	37	31	20	17
Long Term Loans And Advances	1	1	1	1
Other Non-Current Assets	245	149	149	135
Total Non-Current Assets	1668	2457	3192	153
Current Assets				
Current Investments	0	119	117	29
Inventories	754	990	1176	1087
Trade Receivables	68	99	166	118
Cash And Cash Equivalents	184	135	251	181
Short Term Loans And Advances	2	1	1	1
Other Current Assets	217	418	302	374
Total Current Assets	1225	1762	2013	1790
Total Assets	2893	4219	5205	5272

Source: Arianth Research, Company Filings, Ace Equity, Bloomberg

Consolidated Cash Flow Statement	FY17	FY18	FY19	FY20
Net Profit/Loss Before Extraordinary Items And Tax	176.84	214.98	308.04	158.38
Net Cash Flow From Operating Activities	75.08	83.34	478.48	432.55
Net Cash Used In Investing Activities	-476.49	-606.91	-742.63	-203.04
Net Cash Used From Financing Activities	332.17	567.5	321.69	-347.66
Net Inc/Dec In Cash And Cash Equivalents	-69.25	43.93	57.54	-118.15
Cash And Cash Equivalents Begin of Year	100.42	31.28	109.88	167.1
Cash And Cash Equivalents End Of Year	31.17	75.2	167.1	47.08

Source: Arian Research, Company Filings, Ace Equity, Bloomberg

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Arihant Research DeskEmail: research@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	research@arihantcapital.com

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880