HIMATSINGKA SEIDE LTD.

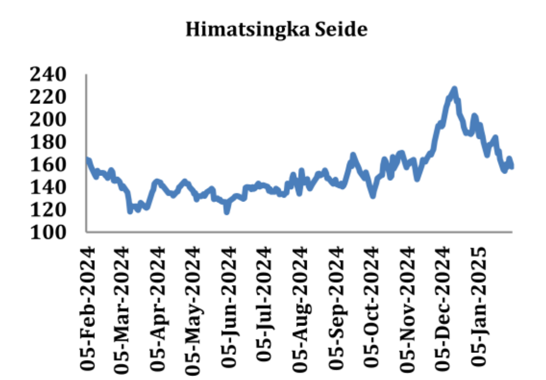
February 04, 2025

HIMATSINGKA SEIDE LTD	
Industry	Textile
No. of Shares (Crore)	12.57
Face value (Rs.)	5.00
Mkt. Cap (Rs. Crore)	1,986.10
Price (03/02/2025)	157.95
Book Value (Rs)	159.25
P/BV	0.99
BSE Code	514043
NSE Code	HIMATSEIDE
Bloomberg	HSS IN
Reuters	HMSD.BO
Avg. Weekly Volume (NSE)	10,36,350
52 W H/L (Rs)	231.60 / 116

Shareholding Pattern	%
Indian Promoters	37.25
Institutions	20.43
Non- Institutions	42.32
Total	**100.00**
(As on December 31, 2024)	

Recommendation

BUY



Company Background

Himatsingka Seide Ltd (HSL) is an integrated global textile major that designs, develops, manufactures, distributes and retails a suite of textile products. Its installed capacities for manufacturing bedding and bath products, drapery and upholstery fabrics and fine-count cotton yarn are amongst the largest in the world.

Investment Rationale

- With four manufacturing facilities, HSL's installed capacities for Bedding Products, Bath Products and Cotton Yarn Products are amongst the largest in the world. Powered by a suite of brands and strong private label portfolios, HSL's distribution capabilities are deep and expansive.
- In FY24, HSL faced global macroeconomic headwinds while consolidating its operations. Despite these difficulties, the company demonstrated remarkable resilience, driven by its strong business fundamentals, integrated manufacturing platforms, and commitment to innovation.
- HSL's integrated manufacturing capabilities, along with its robust intellectual property portfolio and industry-leading innovation pipeline, continue to form the bedrock of its resilience and competitiveness.
- The company has four cutting-edge, vertically integrated manufacturing plants located at Hassan SEZ and Doddaballapur, in Karnataka. The plants have world class facilities equipped to produce a diverse range of products with industry-leading efficiency and compliance.
- HSL's strength lies in its expansive brand and private label portfolio. With well-established cotton brands like Pimacott, Gizacott, HomeGrown Cotton, and Organicott, the company continues to lead the traceable cotton space.
- The company also boasts a robust retail portfolio, including brands such as Himeya, Atmosphere, Liv, Bellora, Tommy Hilfiger, and Highland Park, all of which are positioned for continued market share growth.
- HSL plans to expand its presence in India, aiming to reach Rs 1,000 Cr (Current domestic revenue ~Rs 50 Cr – Rs 60 Cr) in revenue from the domestic market within the next five years. The growing demand for home textile products in India is an area of focus for HSL, and it will be the company's endeavour to position itself in order to achieve that objective.
- HSL's strengths in the private label space also continue to gain traction as it deepens the relationships with global retail majors and their private label platforms. The company's suite of over 8 brands and strong private label portfolios, backed by advanced manufacturing platforms, is expected to generate differentiated, solutions-based responses to the dynamic and ever changing macrocosm of consumer preferences.
- HSL has cash surplus of Rs 104 Cr at the end of September 30, 2024. In the absence of any major debt-funded capex and given the adequate cash accruals, gives it a cushion against tough times.
- **Recommendation**

HSL is one of the leading vertical integrated textile player in India having strong presence in export markets. Further, China+1 strategy the big advantage for Indian textile companies especially for branded players like HSL. We would recommend a BUY with a target price of Rs 192 in the next 9 to 12 months' time period, thus implying rise of 22% from current levels.

Particulars (In Rs. Crs)	Q2FY25	21FY24	Var%	H1FY25	H1FY24	Var%
Net Sales	694.33	739.14	-6.06	1,429.79	1,421.28	0.60
PBIDT (Excluding OI)	138.57	147.29	-5.92	284.85	294.98	-3.43
Net Profit	21.70	28.78	-24.60	42.26	57.93	-27.05
PBIDTM% (Excluding OI)	19.96	19.93	0.15	19.92	20.75	-4.00
PATM%	3.13	3.89	-19.54	2.96	4.08	-27.45
Equity	49.23	49.23	-	49.23	49.23	-
EPS (Rs.)	2.20	2.92	-24.66	4.29	5.88	-27.04

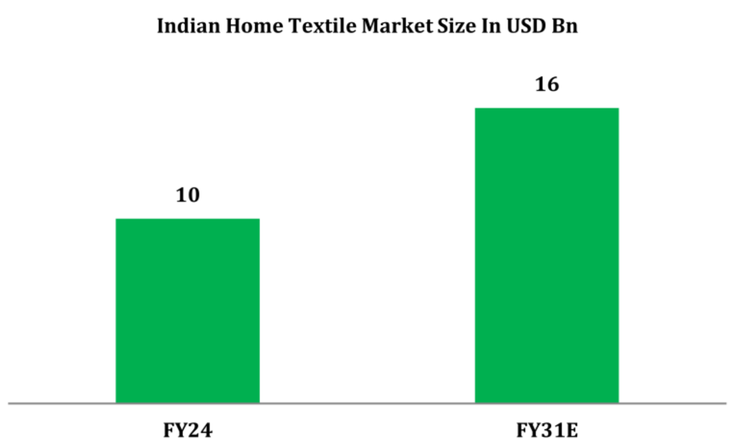
*Source: Company, Ace Equity, AUM Research

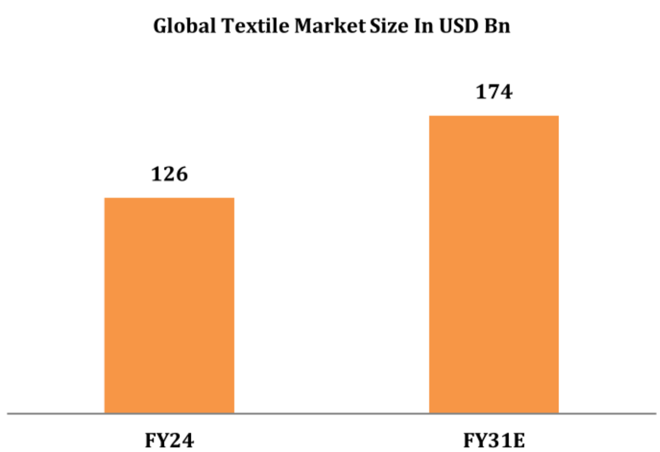
Industry Overview

- **Background:-** India's home textiles market is estimated at USD 10bn and is slated to expand at a 7% CAGR over FY24-FY31 to USD 16bn. India accounted for almost 10% of global home textiles trade as of 2022 and is also one of the top suppliers to the US, the world's biggest home textile consuming market.
- **Increasing popularity:-** The improvement in the quality of Indian textile through innovation R&D programs, and other value-added features have led to the increasing popularity of Indian home textiles in the global market. Indian companies that produce superior quality products have found a substantial customer base in the US and the UK.
- **Exports**:- India exports to both US and UK account for two-third of the total export. Home textiles have emerged as a significant production and export hub for India and based on that, its home textile exports are projected to grow to USD 12bn by FY31 at an 8% CAGR over (FY24-FY31). The Indian home textiles market is also expected to witness an upsurge with branded product demand rising manifold in the country. The exports of home textiles from India progressed at a healthy growth rate of 9% in FY21, even during the pandemic.
- **China+1 Strategy:-** Many of the large multinational retailers have moved onto the 'China+1' strategy, which seeks to avoid reliance on just one country by diversifying sourcing and manufacturing outside of China. Major home textile consumer markets in the US and EU are slowly switching their import preferences from China to India due to their concerns about the application of forced labour in China's Xinjiang region, which resulted in the later ban on Xinjiang cotton and cheap labour. This is an advantage to India's textiles. Rising wages in China also drive it towards India as India has low cost of production and high availability of cotton. Giant retailers like Walmart and Target continue to run their stores on the premise that they sell cheap goods to the customers. The rising share in exports, which currently stands at 38% and further growing, is on account of cost advantages against China and Bangladesh.

Growth Factors

1) **Rapid Urbanization and Growing Middle Class:-** The increasing urban population and rising middle-class population in India thrusts up the demand for home textile products as people look to upgrade their living spaces with stylish and comfortable furnishings.
2) **E-commerce Boom**:- The increase in the number of e-commerce platforms has made home textiles widely available catering to a diversified demographic profile. Consumers can choose and purchase from the comfort of their homes, thus fueling market growth.
3) **Preference for Branded and Designer Products:-** The Indian consumer increasingly prefers branded and designer home textile products with the promise of quality, style, and innovation; therefore, the market is spreading for premium product offerings.
4) **Focus on Sustainability and Eco-friendliness:-** The growing environmental awareness is compelling the consumers towards sustainable and eco-friendly home textile products. Producers, adopting a more sustainable production process, will benefit from this trend.
5) **Innovation in Material and Technology**:- It will be providing the opportunity for companies to invest in research and development, which would result in innovation in materials and technologies that enhance the performance, comfort, and sustainability of home textile products, thus competing in the market on the basis of such differentiated offerings.
6) **Expansion of Product Range and Market Reach:-** The industry may also seize opportunities to expand the portfolio of products under the brand, potentially by new product categories or regions/ international markets that have not been tapped into as yet, through India's rich heritage and manufacturing capabilities.





*Source: Company, Ace Equity, AUM Research

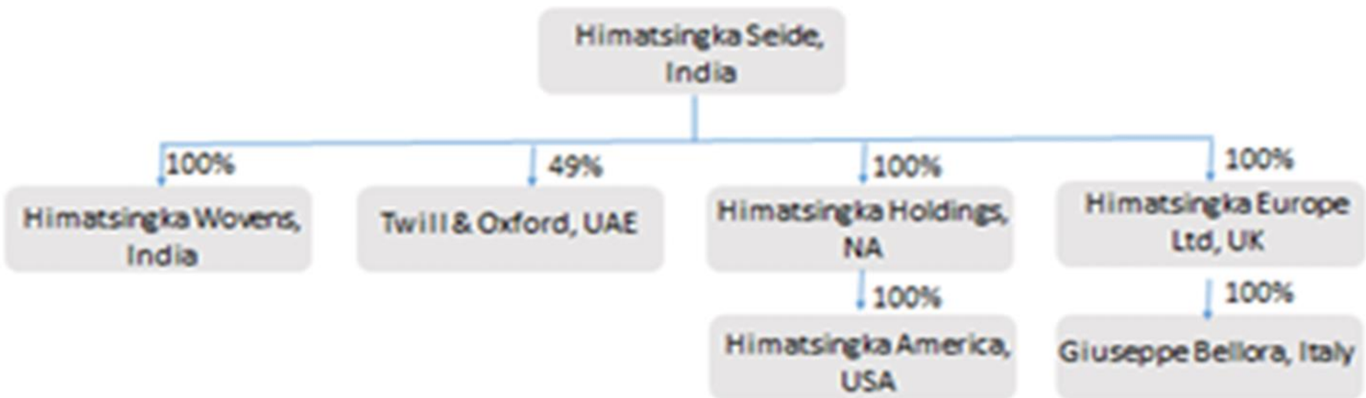
Company Overview

Himatsingka is a vertically integrated global textile major that designs, develops, manufactures and distributes a suite of textile products. It has four manufacturing facilities, the installed capacities for Bedding Products, Bath Products and Cotton Yarn Products are amongst the largest in the world. Powered by a suite of brands and strong private label portfolios, HSL's distribution capabilities are deep and expansive.

Capacities

- Operates the world's largest Cotton Spinning Plant under one roof with a capacity of 2,11,584 spindles
- HSL has amongst the world's largest Integrated Sheeting Plants for producing Bedding Products with a capacity of 61 Million Meters Per Annum)
- The company operates amongst the world's largest Integrated Terry Towel Plants for producing Bath Products with a capacity of 25,000 Tons Per Annum.
- Owns 8 global brands in the Home Textile space.
- HSL is counted amongst global leaders in the Cotton Track and Trace Solutions space.

HSL's Group Structure



*Source: Company, Ace Equity, AUM Research

HSL's Journey over the years

- Previously, HSL was present only in manufacturing of silk and silk blended fabrics for drapery and upholstery segment. In 2003, it launched luxury home furnishing brand 'Atmosphere' in India.
- In 2005, HSL commenced construction of the vertically integrated greenfield bed linen manufacturing facility at Hassan, Karnataka.
- In 2007, HSL moved one step further, by acquiring Giuseppe Bellora S.p.A (Italy). It is amongst the most prestigious bed linen brands in Europe and retails through 17 exclusive Bellora stores, multi-brand outlets and luxury departmental stores in Italy and other parts of Western Europe.
- HSL also acquired two companies in North America, Divatex Home Fashions, Inc and DWI Holdings, Inc which got merged with Himatsingka America.
- HSL continues to consolidate its presence in the global private label space and grow its robust client networks in key markets.

Manufacturing Plants

- HSL operates four manufacturing plants located at Hassan SEZ and Doddaballapur, in Karnataka.
- The plants are vertically integrated, best-in-class and have capacities that are of global scale.
- The plants are equipped to produce a broad assortment of products with industry-leading efficiencies and response times, while adhering to the most stringent compliance requirements.
- HSL's plants are integrated and have technologically advanced capacities of global scale to serve the Indian retail space and deliver on consumer choices.

Categories of Products

- Bedding Solutions
- Bath Solutions
- Yarn and Fibre Solutions
- Drapery & Upholstery Solutions

Rationale for Investment

1) Integrated business model results in cost efficiency and delivering quality products

- **Vertically integrated player:-** HSL is vertically integrated home textiles player which designs, develops, manufactures, distributes and retails products for its global clientele. This helps the company to be cost efficient player and enables it to meet constantly changing consumer preferences without affecting quality.
- **Efficient operating system:-** Of the total yarn produced, company consumed 85% of yarn for captive consumption to produce downstream products, which enable the company to have better control on supply chain systems and generate sustainable margins.
- **Captive yarn manufacturing facility:-** HSL has more than 2 lakh spindles capacity so the company has captive yarn manufacturing capacity and thus not affected from high yarn prices. The spinning facility takes care of 35-40% of the company's yarn requirement for manufacturing of home textile products. Thus, the vertically integrated business model helps HSL to absorb the volatility in raw material prices.
- **Better control of supply chain:-** HSL is vertically integrated and converts raw material i.e., cotton into made ups like bed and bath products through spinning, weaving, processing, printing, washing, cutting, and sewing. Entire spinning capacity is for captive consumption to produce downstream products, which enable the company to have better control on supply chain systems and generate sustainable margins.

2) Focus on building strong portfolio of brands to increase market share

- **Strong brand portfolio:-** HSL is focused on building a strong brand portfolio through owned and licensed brands contributing 75-80% of its revenue. With 8 Global Brands, HSL has amongst the largest portfolio of home textiles brands. These brands are sold through retail and distribution networks across North America, Europe and Asia.
- **Global leader:-** HSL is a global leaders in the Cotton Track and Trace Solutions space with its Patented DNA Technology for Cotton Traceability. HSL has established global presence with over 11,000+ Associates servicing 35 countries.
- **Serving a diversified range of customers:-** HSL has the ability to design, develop, manufacture and warehouse the entire range of home textile products given the required product line-up, infrastructure and servicing capabilities it has. These brands help the company to meet a diversified range of customer preferences across geographies, product categories and price points.
- **Licences for major brands:-** HSL has licences for brands such as Tommy Hilfiger Home and caters to the private labels of major retailers. Furthermore, the company has added clients in terry towel and bedding verticals, which should help in moderating client concentration over the long term. HSL has tied up with Applied DNA Sciences (ADNAS), a leading authentication and supply chain security company, to ensure tagging of all kinds of cotton, including PIMA cotton that is grown in the US. This will ensure that the purity of the product can be verified at each point along the supply chain. The group has registered three brands - PimaCott, HomeGrown and Organiccott - on this platform. Such initiatives will help attract customers and augur well for the business over the medium term.

3) Healthy market position in home textile and diversified presence

- **One of India's leading suppliers:-** HSL has emerged and established itself as one of India's leading suppliers and exporters of bed linen and terry towels. HSL's product portfolio is spread across various products in the home textile market, offering different qualities. It's wide range of product mix helps it maintain its position as one of the leading players in the industry.
- **Diversification at the correct point of time:-** For the past several decades, HSL had been generating the majority of its revenue from bedding products. To diversify its product profile and to foray into bath products, the company has undertaken a calibrated capex programme for a terry towel facility with an installed capacity of 25,000 tonne per annum (TPA).
- **Competitive landscape of the global and domestic home textile industry:-** The Indian export home textile market is dominated by four large players, including HSL. These organised and larger players mainly cater to export demand from large global retailers and face competition from countries such as China, Pakistan, Vietnam, Bangladesh, and Turkey among others. Nevertheless, HSL has been able to maintain a healthy market share in its key markets and has strong tie-ups with reputed players in key home textile segments such as bed linen, towels, among others. The domestic home textile market is still dominated by the unorganised sector and brand penetration continues to remain low. An increase in brand consciousness gives an impetus to established players like HSL, leaving room for growth.

4) Adequate Liquidity

- **Fairly leveraged balance sheet:-** HSL has cash surplus of Rs 104 Cr at the end of September 30, 2024. In the absence of any major debt-funded capex and given the adequate cash accruals along with existing cash buffer, the company will cover debt repayment obligations of Rs 60 crore and Rs 355 crore for fiscal 26 and fiscal 27 respectively.
- **QIP:-** The company has also raised ₹400 crore through QIP in October 2024, the proceeds net of issue expenses of ~₹375 crore will be utilised towards debt reduction and general corporate purpose. This is expected to strengthen the company's equity base and improve its financial risk profile.

Financials

Consolidated Quarterly Results (Value in Rs. Crs)						
Particulars	Q2FY25	Q2FY24	Var%	H1FY25	H1FY24	Var%
Net Sales & Other Operating Income	694.33	739.14	-6.06	1,429.79	1,421.28	0.60
Total Expenditure	555.76	591.85	-6.10	1,144.94	1,126.30	1.65
PBIDT (Excl OI)	138.57	147.29	-5.92	284.85	294.98	-3.43
Other Income	5.98	9.01	-33.63	8.60	13.41	-35.87
Operating Profit	144.55	156.30	-7.52	293.45	308.39	-4.84
Interest	80.74	72.39	11.53	162.57	138.76	17.16
PBDT	63.81	83.91	-23.95	130.88	169.63	-22.84
Depreciation	38.06	40.85	-6.83	75.69	82.20	-7.92
PBT	25.76	43.06	-40.18	55.19	87.43	-36.88
Tax	4.05	14.28	-71.64	12.92	29.50	-56.20
Net Profit	21.70	28.78	-24.60	42.26	57.93	-27.05
Equity	49.23	49.23	-	49.23	49.23	-
EPS (Rs.)	2.20	2.92	-24.66	4.29	5.88	-27.04

Consolidated Income Statement (Value in Rs. Crs)			
Particulars	FY24	FY23	FY22
Net sales	2,900.28	2,726.82	3,313.65
Total Expenditure	2,245.25	2,406.72	2,653.65
Operating Profit (Excl OI)	596.20	271.02	530.30
Other Income	21.13	75.02	19.62
Operating Profit	617.33	346.04	549.92
Interest	296.47	257.23	181.17
PBDT	320.87	88.81	368.75
Depreciation	158.10	164.03	158.43
Profit Before Tax	162.76	-75.23	210.33
Provision for Tax	49.94	-11.15	69.51
Net Profit	112.82	-64.08	140.82
EPS (Rs.)	11.46	-6.51	14.30

*Source: Company, Ace Equity, AUM Research

Consolidated Balance Sheet (Value in Rs. Crs)			
Particulars	**FY24**	**FY23**	**FY22**
EQUITY AND LIABILITIES			
Share Capital	49.23	49.23	49.23
Total Reserves	1,509.72	1,399.79	1,420.48
Shareholder's Funds	**1,558.95**	**1,449.01**	**1,469.71**
Secured Loans	1,487.17	1,476.98	1,589.17
Unsecured Loans	102.99	-	-
Deferred Tax Assets / Liabilities	83.67	64.91	80.74
Other Long Term Liabilities	319.49	346.19	367.42
Long Term Provisions	233.03	229.54	231.72
Total Non-Current Liabilities	**2,226.36**	**2,117.62**	**2,269.04**
Trade Payables	841.50	814.52	708.26
Other Current Liabilities	342.47	246.49	285.90
Short Term Borrowings	970.68	1,090.70	1,046.07
Short Term Provisions	175.33	136.19	185.22
Total Current Liabilities	2,329.98	2,287.89	2,225.45
Total Liabilities	**6,115.29**	**5,854.53**	**5,964.20**
ASSETS			
Gross Block	4,721.97	4,682.89	4,621.11
Less: Accumulated Depreciation	1,775.22	1,598.87	1,445.34
Net Block	**2,946.75**	**3,084.02**	**3,175.77**
Capital Work in Progress	32.21	29.88	44.28
Non Current Investments	0.24	0.24	0.22
Long Term Loans & Advances	256.60	255.27	253.04
Other Non Current Assets	29.47	47.89	58.76
Total Non-Current Assets	**3,265.27**	**3,417.30**	**3,532.06**
Current Investments	1.72	9.65	13.09
Inventories	979.64	884.85	1,131.25
Sundry Debtors	901.66	670.02	399.46
Cash and Bank	163.93	108.04	167.32
Other Current Assets	465.47	312.93	436.67
Short Term Loans and Advances	252.04	367.40	205.41
Total Current Assets	**2,764.46**	**2,352.89**	**2,353.20**
Assets as Held for Sale and Discontinued Operations	85.56	84.34	78.94
Net Current Assets (Including Current Investments)	434.48	65.00	127.75
Total Current Assets Excluding Current Investments	2,762.74	2,343.24	2,340.10
Total Assets	**6,115.29**	**5,854.53**	**5,964.20**

*Source: Company, Ace Equity, AUM Research

Aum Capital RESEARCH DESK

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