

09<sup>th</sup> September, 2020

<b>BSE Ltd.</b> Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai 400 001. <b>Scrip Code: 532782</b>	<b>National Stock Exchange of India Ltd.</b> Exchange Plaza, 5 <sup>th</sup> Floor, Plot No. C/1, G-Block, Bandra - Kurla Complex, Bandra (E), Mumbai 400 051. <b>Scrip Code: SUTLEJTEX</b>
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Dear Sir / Madam,

**Subject: Transcript of quarter ended 30<sup>th</sup> June, 2020 earnings conference call held on 13<sup>th</sup> August, 2020**

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, kindly find enclosed a transcript of the earnings conference call for the quarter ended 30<sup>th</sup> June, 2020 which was held on Thursday, 13<sup>th</sup> August, 2020. The same is also available on the website of the Company i.e., [www.sutlejtextiles.com](http://www.sutlejtextiles.com).

The conference call held on 13<sup>th</sup> August, 2020, as per the Transcript enclosed incorporates mainly the highlights of financial results upto 30<sup>th</sup> June, 2020, and other related information which is already in public domain and / or made available / uploaded on the Company's website.

Please take the same on record.

Thanking you

Yours faithfully  
For **Sutlej Textiles and Industries Limited**



Manoj Contractor  
Company Secretary and Compliance Officer

Encl: a/a





# “Sutlej Textiles and Industries Limited Q1 FY2021 Earnings Conference Call”

August 13, 2020



**MANAGEMENT: SHRI S K KHANDELIA – PRESIDENT & CEO**  
**SHRI UPDEEP SINGH CHATRATH – DEPUTY CEO**  
**MR. BIPEEN VALAME – WHOLETIME DIRECTOR & CFO**

**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY2021 Earnings Conference Call of Sutlej Textiles and Industries 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 now hand the conference over to Mr. Bipeen Valame, Wholetime Director & CFO, Sutlej Textiles and Industries Limited. Thank you and over to you Sir!

**Bipeen Valame:** Thank you everyone for joining the investor call and good morning to everyone. I welcome you all to the earnings conference call of Sutlej Textiles and Industries for quarter ended June 30, 2020. I hope all of you and your family members and dear ones are safe and healthy. I know these are difficult times and all of us need to get adjusted to new normal by adopting to social distancing and taking care of our health and safety. I have with me Shri S K Khandelia, President & CEO, Sutlej Textiles, Shri Updeep Singh Chatrath, Deputy CEO of Sutlej Textiles and Stellar IR advisors, our investor relations team. The Result Presentation has been uploaded on the exchanges and I hope everyone had an opportunity to look at the presentation. I will quickly take you through the financial performance highlight followed by industry insight by Shri S K Khandelia and Shri Updeep Singh.

Due to lockdown the manufacturing facilities remain closed for nearly a month in the month of April though I am happy to inform that we resumed operations in the third week of April itself albeit at a lower capacity utilization. As you are aware, the outbreak of COVID-19 pandemic brought the entire world to a standstill, which led to a drop in demand, and which impacted us too in profitability. Thus, the performance of the first quarter is not comparable to Q-O-Q and Y-O-Y basis. We continue our focus on improving internal cost efficiencies and cost optimizations and the company has taken effective steps in this direction during the quarter. During the quarter as on June 30, 2020, the company reported a consolidated total income of Rs.197 Crores in Q1 FY2021 against Rs.667 Crores in Q1 FY2020 and Rs.545 Crores in Q4 FY2020. The capacity utilization remained at around 43% to 45% on average for Q1 FY2021. The gross margin witnessed some improvement on Y-O-Y basis and stood at around 45.24% against 40.42%. The improvement in gross margin was mainly due to correction in raw material prices during the quarter. The company however witnessed a loss at EBITDA level of Rs.23 Crores as against profit of Rs.50 Crores on year-on-year basis. EBITDA stood at Rs.23 Crores during Q4 FY2020.

We have been focusing on working capital optimization for the past 15 months and we could reduce our working capital utilization by almost Rs.105 Crores, near to 27% by better

control on inventory, receivables and collection of dues from government, etc., and the total debt has been reduced by Rs.58 Crores in spite of ongoing project capex for Sutlej Green Fibres and modernization capex. I am happy to inform you that despite COVID-19 pandemic situation since March 2020, we reduced our working capital utilization further by Rs.15 Crores in Q1 FY2021 with better collection without availing any moratorium from the government or RBI what has been declared at various stages and we have still unutilized working capital lines over 50%. Even today, it is only at 40% to 45% of utilization what we are having against the sanctions limits. The overall debt stood at Rs.862 Crores against Rs.871 Crores in March 2020. During this challenging time, we continue to monitor and ensure there is enough liquidity and we can meet all our obligations and sail through these challenging times successfully. This is all from my side. Now I would request Shri Khandeliaji to share the business outlook and industry scenario and then we can open the floor for question and answer session. Thank you and over to Shri Khandeliaji!

**S K Khandelia:**

Thank you Bipeen. A very good morning to everyone and thank you very much for taking out time to join this conference call. I would like to read my Chairman's statement, which some of you might have not got time to go through. My Chairman has stated in the press release that the COVID-19 pandemic has engulfed the entire world causing catastrophic damage to economies and businesses across the globe. It has significantly impacted textile sector and our quarterly performance is also a reflection of the same. While we adopted the new normal, the consumer demand has dwindled. We continue to work on sub-optimal utilization of capacity. We continue to work on cost optimization to make our operations leaner and agile. We are fully geared to capitalize on our strength in terms of diversified product offerings, value added yarns, deep market penetration, longstanding customer relations, etc., once normal demand emerges.

Now coming to my submission, I am sure that all of you are fully aware about this unprecedented challenge being faced by economies and businesses across the globe including India and therefore I will skip the details thereof. Textile as you all know, textile and clothing are a discretionary purchase barring some essential products like undergarments, T shirt, Bermudas, leggings, etc. The sector is one of the hardest hit sectors as domestic and export demand collapsed for formal wear, uniforms, functional fabrics like sports wear, swim wear, jogging suits, etc., though demand for medical textiles like PPE masks have soared and were comparatively much better. Similarly, for essentials like undergarments, T shirt, Bermudas, leggings, casual wear, etc., demand improved and other essential items like bedsheets, pillow covers, towels, etc., are comparatively much lesser in textiles. As you know, malls, retail shops, and shopping centers remained under lockdown for months together and even now when these have opened, the footfall is still negligible as people avoid to go there due to fear psychosis and also they are in no hurry to buy clothes.

All social, religious and such other gatherings are not allowed or allowed with several restrictions. Schools, colleges, gyms, swimming pools, sports and such other outdoor activities are also either not allowed or allowed with so many restrictions not only in India, but throughout the globe. Theaters, cinema halls, religious places across the globe are also impacted though opened with restriction due to this fear psychosis. The worst is behind us, but demand revival is much slower than expected.

In the last quarter conference call, I have stated that going forward the demand should materialize, but actually it is still eluding us and the demand revival is very slow because as you know there is no control still on this pandemic and it is rather spreading so it is anybody's guess that how long it is going to be there, so in these circumstances the challenges are there, but still we have been able to ramp up our capacities and at present we are working to about 70% as of now of our installed capacity. In spinning though, it is little less at present; in home textiles of course the value added items, which we used to have in large numbers is a little lower and we are forced to take commodity quality orders just to run the mills and so as to cover at least the fixed expenses by increasing the capacity utilization. Such unprecedented crisis is real test of any organization and its ability to withstand it. I am happy to say that it is more than seven months now since the outbreak of this pandemic in China and the way Sutlej team has handled the crisis and is positioning to emerge stronger once the crisis is over and to provide some opportunities, which will unfold going forward and all those who will be able to withstand the crisis will reap the benefits is really commendable. Sutlej experience of last nine decades has come in handy; in its long history, it has seen many crises may not be like this, but many crises, learnt to know how to handle these crises and emerge victorious.

Improving our capacity utilization: As I mentioned that we have taken many commodity orders also, but mainly what we have done is to increase our exports because domestic market is yet to open properly, but exports started working better earlier and there we have been getting repeat orders of value added yarns; besides we have taken some commodity orders also so our overall exports in Q1 and even now has increased as compared to the corresponding period last year. The second thing is that with this crisis the awareness about sustainability of environment, social and economic sustainability and sustainable products coming out of sustainable production facility which is strictly adhering to the social and economic sustainability are being preferred and will see increased demand once the markets open fully. We have already been focusing on these since the last two years or so and our product offerings in our total product basket of sustainable product whether it is yarn or even in home textiles, has been increasing rapidly and we are now preferred supplier in export markets for the sustainable products. We are using various types of manmade and natural sustainable fibers and that is giving some edge to us and we are getting good order

for such yarns. To supplement our activities for sustainable products as you know we have embarked upon this creation of facilities for manufacture of green fibre and at present our 120 tonnes per day capacity green fibre plant is almost ready and we hope that the commissioning, trial run and commercial production should happen this year and that will be an added advantage to us to offer seamless product range to our customers and to have better testability, which is more important these days for such products and that will also give very good advantage to us. Besides we have been diverting to non-apparel yarns like automobile textiles, medical textiles, home textiles, industrial applications, hygiene products, functional fabric, etc., to de-leverage our dependence on yarns for apparel only in the last few years and that has also started yielding results and in these difficult times these have helped us a lot.

In case of home textiles where we are in curtains and upholstery sector, we have been working hard since the last two years or more to reposition ourselves with increased focus on premium segment in domestic and export markets and accordingly we have been strengthening our designs, development, and marketing and production teams. We have launched our home textile brand a few months back and have developed synergy with American silk mills in USA, which we bought in the recent past. There is total change in our strategy, approach, goal and our efforts so far as our home textile division is concerned. Any such endeavor as you know takes time to fructify particularly in case of home textiles in premium and mid premium segments as it is highly discretionary spend. It is a long journey from concept to design sampling to normal production and repeat orders. Thus, while we are reporting losses in home textile we are hopeful that going forward it will also be a major contributor to topline and bottomline from existing products will also have therefore venturing out in more home textile products and that will derisk our dependence on spinning though we are in spinning also we are in value added in each yarn segment with continuous product and process development for different end use to cater changing business requirements.

Going forward I am very hopeful that once the situation gets normal there will be pent-up demand and in Q3 we hope that the festival demand should be there. As you all know rural economy is doing very well because rabi crop has been good, kharif crops so far with the monsoon is good, then there has been a lot of direct benefit transfer, MNREGA benefits and such other things, so because of that comparatively rural economy is doing well and it is that economy from where the major demand comes and we hope that this will be a positive time going forward. Secondly, we are continuously increasing our exports and like Bipeen mentioned and mentioned in our Chairman's statement also all these months we have been working very hard to reduce our costs, optimizing efficiencies and further improve our agility to withstand whatever the challenges may be there. One important thing, which all

you know is the government relief package to enterprises wherein the liquidity support has been provided to them and the definition of MSME has also been changed and coverage has also been widened. So, as you know that many of the downstream industry in textile sector is an MSME sector and liquidity support to them at this point of time is good for us. Without their liquidity, they would not have been able to function whatever the level they are functioning right now and whatever they want to increase going forward so that is good for us. Another thing is the time for production of quality winter products, and we are largely present there also - in winter quality yarns for quality winter products - and it is also supporting us at this point of time. Similarly, the flexibility, which we had in our production facility we can manufacture netting yarn, we can manufacture weaving yarn, we can manufacture this industrial yarn and we can switch over from one product to another very quickly, those type of flexibility is also helping us.

We are not that we must manufacture only grey cotton yarn or 100% grey polyester yarn, so normally also we do not manufacture any grey yarn and may be 95% of our capacity is only for value added and dyed yarns, only Mélange yarns. In case of Melange there are little challenges, but of course it is a lower degree because we are selling our Melange and cotton dyed yarn mainly to garment exporters and those exporters have been facing severe challenges because of the bankruptcies in the developed countries and cancellation of orders, deferment of orders and the losses, which they suffer, but still they are coming up like Page Industries, Shahi Exports, and big exporters, they have started putting the orders, they have lifted their earlier goods also, they started making the payments also so I can say that we are in a much better position today though not exactly what I had expected at the time of last conference call I thought that by the end of the second quarter the things should be almost normal though may not be 100% normal, may not be with the pre COVID level, but I was expecting that by the end of this year things should be normal at least to the pre-COVID level, which at this point of time is looking a little difficult, but the things are uncertain, we are keeping our fingers crossed.

Now to conclude, I would like to say that Sutlej has the inherent strength and whether it is operational efficiency, whether it is financial strength or whether it is any innovation and adopting new technologies like Bipeen mentioned that now we are adopting new normal and we are fully geared even in all these times when all our offices were closed and outside marketing offices were closed, but we had been very actively on day to day basis, been engaging with all our customers, all our vendors, all our suppliers and have been able to handle the plant working very closely by virtual meetings and other things. So, this is the new normal and we have fully adopted it and we are doing many things like virtual showrooms, virtual yarn, some textile showroom that we have already launched so those are the new things, which we are doing and I hope that such type of endeavors will take us and

make us and such steps should be able to help us to withstand the crisis and emerge stronger than whatever the depth, dimension and duration of the crisis may be. Due to sheer commitment, will and strong desire of the entire Sutlej team to fight it out and bounce back quickly. Thank you.

**Moderator:** Thank you. Should we open it for Q&A session now Sir?

**S K Khandelia:** Yes please.

**Moderator:** Thank you very much. We will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Ritesh Potodia from Girik Capital. Please go ahead.

**Ritesh Poladia:** Thanks for the opportunity. Just a couple of questions. One what is the average utilization for this quarter and by when can we have a break even or we need about 80% to 85% kind of a capacity?

**S K Khandelia:** Can you please repeat your first question?

**Ritesh Poladia:** Is the capacity utilization average April to June?

**S K Khandelia:** April to June it was nearly 45%, but you see in the Q1 around 70 days on which we actually worked otherwise if you take into account the number of lockdown days it works out to about 32% to 33% because in initial period the time of one hour between shift change for disinfection and other things were there, which has gradually been reduced that is why the working in Q1 you will see it will be about effective working, which we used to have 90% against it is only 33% in Q1.

**Ritesh Poladia:** I think in all the capacity utilization is 70%?

**S K Khandelia:** 70% normally, it all depends upon the quality of the orders, in the case of normal quality of orders we used to have on 70%. We can break even definitely, but at this point of time I hope that going forward on 70% we should be able to break even, but at this point of time 70% is not sufficient because many of the orders are not value added goods and other things, so we require at least more higher capacity and we hope that going forward we should be able to achieve it. As we said there are three issues only - one is the liquidity, which we do not have any problem, another is the labor which we also do not have any problem because we have large labor and we have been able to get about 1000 workers by buses from UP, Bihar, Odisha, etc., so that is also addressed. Third is the consumer demand.

Consumer demand revival, as I mentioned is slow; once it revives and if we start getting the better quality of products we should be break even shortly.

**Ritesh Poladia:** One final question any debt repayment to be done for this year and what is the going forward capex to be incurred for this year?

**S K Khandelia:** You want to enquire about the prepayment of debts?

**Ritesh Poladia:** Yes.

**S K Khandelia:** There is no plan to prepay the debts there is no reason for that and there is no necessity because many of the debts are under TUFSS scheme and such other schemes and are at a very attractive interest rate, but in any case, we are not taking any moratorium and we have no problem in repayment of them and we have sufficient liquidity for that.

**Ritesh Poladia:** What is the capex for the next three quarters?

**S K Khandelia:** Last time when we met we said that our capex will be other than green fiber which will require some money to be completed and I think the other capex, which we thought will be Rs.25 Crores will be little higher may be about say Rs.35 Crores this year. We have not skipped the total capex wherever we find it requires for the new products, new quality, productivity improvement, all these processes are going on, of course not like as we used to do last year we had about Rs.90 Crores capex for modernization, debottlenecking, etc., which is a usual practice we have. So of course, for this year it is little truncated, but still we are going ahead with that.

**Ritesh Poladia:** That is all from my side. Thank you, Sir.

**Moderator:** Thank you. The next question is from the line of Dhvani Mehta from Sanghi Investments. Please go ahead.

**Dhwani Mehta:** I have a few questions on the industry first. I wanted to check how is the textile industry is it likely to receive any support from the government because of the COVID situation currently?

**S K Khandelia:** So as far as the government support is concerned MSME is there, they have already given lot of support in terms of liquidity and of course in terms of balance sheet they have given further loans, there is a big support to MSME and if you know the major part of textile industry in downstream after spinning is dominated by the MSME sector and most of them are covered now after the enlargement of the definition and coverage of the scope for the

credit guarantee scheme, so that is the biggest support, which the government could provide to them. All those who are outside MSME and which needed liquidity support the government has already allowed two times moratorium so that for nearly six months that also supported their liquidity. Another thing the government is looking to restructuring of the loans wherever it is required on cash-to-cash basis that will be another support because the maximum support, which the industry needs from the government at this point of time, is the liquidity. Liquidity is like blood as you know for any organization if there is no blood how to run the body similarly if liquidity is not there how to run the industry, so the main thing, which the industry needed was the liquidity and the government is addressing that.

Secondly the transmission of interest has not happened as we expected particularly in the case of textile industry because their ratings are lower, but still we are engaged with the government and the government is looking into it, they are talking with the bankers' association, etc. Another thing is the export incentives so that is again an issue, which the government is looking into. The new scheme of RoDTEP is going to be launched from January 1, 2021 and the government is working on that. The government is focused, and I must tell you it is in the public domain now. After detailed deliberations with the government and other commerce ministry, textile ministry and all other number of people, the government has identified 12 sectors for higher growth trajectory and textile is one of them. The government is giving extra focus and that requires supportive policies will be designed like mega textile parks, like ease of doing business, and like removing structural bottlenecks, the government is looking at this sector as a growth sector and particularly in case of India, manmade textiles has been continuously discriminated by terms of duty and other things. You may be aware that this inverted duty structure the government is trying that it should be either inverted duty structure the method is already with the GST council from the government side that has come up two times, but because of the spending and other things that has been deferred. Once that fibre neutral duty structure comes, it will be a big support for the growth of the industry because worldwide it is manmade fibre industry, which is doing 70% wherein it is other way round in our case. So that will be the big, big chance and now government is thinking it is also in public domain to set up 10 mega textile parks.

In the textile industry, we are losing since we do not have very large manufacturers. If you see whoever has large capacity, they are doing well; so now the government has realized that it is the sale which matters; otherwise they are not able to take the technology, automation, developments and marketing penetration, all those things. So, 10 MEGA textile parks are being planned near the ports and then it is like giving all the facilities like ease of doing business; many of the labour laws like we have seen in UP they are not being applicable, power will be available there and so many things. The government is fully

aware about the problems of this industry and they know it is the industry, which provides the second largest employment after agriculture, it is the net foreign exchange earner and it is the industry, which should be grown so the focus is there now I am finding that and so far the financial direct subsidy and other things are concerned as you know the government fiscal deficit is already in bad shape so the subsidy accepted at this point of time.

Whatever the government has to refund, or other thing government is proactively working on those and are trying to refund all those subsidy and other things, the government is trying to clear all those things and the government wants to increase the exports. Aatma Nirbhar Bharat. The government is thinking to double up the machines in manufacturing in India in spinning. We have the world class machines manufacturing in India and due to that spinning sector could have world class manufacturing facilities. Similarly, in case of looms, garments, we must import all the machines, so the government is trying to develop the machine manufacturing in India also. The government is doing so many things to focus on this industry. Thank you.

**Dhwani Mehta:** Since you have mentioned about the machines, I wanted to know do you foresee that the Indian textile companies to set up their capacities outside India for growth?

**S K Khandelia:** No, that is always open for everybody to set up outside India I think that many of the countries prefer that our domestic market is so huge rather everybody from outside is looking at India to set up the industry; so many foreign countries are now moving out, wants to move out a little bit from China because of the pandemic and for three months they had the disruption, so little bit they will be able to move out and for that India is well positioned so I do not think that we need to go outside India, but India has always been doing that wherever they get the opportunity.

**Dhwani Mehta:** Also, Sir as you mentioned that the export demand has increased now so can we assume that the yarn exports to increase and what are our realization for the yarn exports?

**S K Khandelia:** No realization is a relative term in the sense what we get in domestic market what we get in export market, now the realization is not the issue, realization is not much better except our repeat value-added yarn orders. In those orders always there are better realizations as compared to domestic because those type of things are not being sold here many of the things are like that, but in normal yarns I would say at this point of time the major issue is to run the capacity, how to cover the fixed expenses and for that whatever the orders is there it is of poor quality because everybody is chasing the orders, supplies are more demand is less, everywhere it is the tendency that they try to cut the prices because they are asking for deep discounts and other things, so prices are not very effective at this point of time even

exports also, but one has the way out to run the mills. In India the amount is very less though it is peaking up. Thank you.

**Dhwani Mehta:** Do we see that our yarn fiber export further increased from here onwards?

**S K Khandelia:** As I mentioned that our export percentage has already increased. If you talk of the four months from April to July it is already higher than last year and in the near future also so in the next three months or so it will continue to be higher because it depends where is the demand, where is the realization, where is the margin, so we keep on because we have the large export base also. Traditionally we export around 30% and then it depends that where the prices are better, we can go 50%, and we can go 25%, so it all depends upon the relative margins. So, at this point of time exports are more it is not more than the domestic, but as compared to last year it is much more.

**Dhwani Mehta:** Okay Sir and has the industry demand towards the knitting garment increased and in the work from home culture now so will this benefit the demand for the Melange yarn for us?

**S K Khandelia:** No Melange yarn is a speciality product. That does not go for work from home it goes a little bit, but it is the specialty yarn, which is good for garments, mainly used for the normal wear and other things. These days you see work from home, one may not want to wear very good clothes and sit before the glass to see himself only, so this is the challenge and as I mentioned we are selling only to garment exporters from India and similarly from India wherever we are exporting the yarn say like Bangladesh, Sri Lanka, and Vietnam and six other countries this is also being converted to the garments and again going to the Western countries as garments, so in Western countries the demand of the garment is very much subdued, many stores have closed, the retail chain has reduced their stores, many have filed bankruptcies so there are many challenges there, so there is the issue of the risk of finance also, but still that has started picking up and there is a little hope that once season is already best and from season to season the next season will be fall and winter season we expect that the demand should be there.

**Dhwani Mehta:** Also, one more thing what is the scenario on the spinning industry?

**S K Khandelia:** In spinning there are many verticals, there are many segments like grey cotton yarn, then there are blended grey cotton yarn, then 100% polyester yarn, then there are dyed yarns. Dyed yarns have a different dimension because it is a grey yarn. In grey it is going on, grey cotton yarn people can export because Indian cotton is still the cheapest in the world. On the basis of that advantage the world demand whenever the demand is started coming in, earlier it was from China, then it is from Bangladesh, Vietnam and other countries, so grey cotton

yarn exports is well so people are able to run their capacity. Similar in the case of 100% polyester yarn and viscose yarn the demand has emerged. In grey yarn the capacity utilization has improved, in case of dyed yarn it is challenging.

**Dhwani Mehta:**

Do we see consolidation in the spinning capacity?

**S K Khandelia:**

Actually not on the spinning but the entire industry, whether it is textile or anything our hope is there will be consolidation next year going forward, still there has been financial stress to many it is expected that around 30% of the organizations may go under or may go for amalgamation and reorganization and something like that because the trend which has been there and which is still continuing will definitely erode the financial capabilities of many and there will be definitely this reorganization and consolidation such things are bound to happen in my opinion not only in spinning or in textile industry, but in all the industries.

**Dhwani Mehta:**

Okay Sir thanks. I will get back for further questions in the queue.

**Moderator:**

Thank you. The next question is from the line of Shruti, an individual investor. Please go ahead.

**Shruti:**

Good afternoon Sir. Thank you for taking my question. Sir I wanted to understand on the cotton prices what is the momentum in the cotton pricing right now and how do we see it going forward?

**S K Khandelia:**

Cotton pricing is such an issue nobody can give the correct answer right now. So far as the stocks, consumption, production and all these things are concerned it is all in surplus side worldwide and not only in India, so the world prices are likely to remain soft that is almost all people are hoping for that the world prices are likely to remain sharp. In case of India, government has already increased 5% support price and even now the cotton, which is available in the market or with CCI has been selling is much below the cotton based on the MSP. Last year the government said the support price was higher than the international prices, CCI had to buy cotton and now they are selling the same with a huge discount, so next year when the new crop comes in, CCI will again get into the market, will buy the cotton at the higher rates, which will be much higher than the world rates so people may go for either imports or the private sale, any farmer will sell at such lower price because the gap is above Rs.10,000 or so much at this point in time. Based on the support price it will be around Rs.46000 whereas the prices are above Rs.34000 to Rs.35000 so that is a challenge what will be the CCI purchase policy? What will be the CCI sales policy whether response will continue or not, but the world position is soft so naturally it is demand and

supply. So, if the world prices will remain so industry will be able to get their cotton at the near or little here and there with the international prices. Then either CCI will have to continue their discounts or they may not be able to buy the entire crop and then the industry will be able to buy at a lower rate so I think the prices it is a challenge, but the international prices are going to be sharp and on that ground I can say that the prices are likely to remain range bound going forward.

**Shruti:** Sir if you can give us a number on the cotton?

**S K Khandelia:** It is very difficult.

**Shruti:** The current cotton pricing inventory what we have and how many months inventory do we hold?

**S K Khandelia:** No, at this point of time we do not have much inventory rather we are buying since the last one month we are buying. Since the outbreak of the pandemic in January was only in China, we anticipated that perhaps the way in which it started spreading in Europe we got a guess that it will come to India also and it will spread so consumption is going to be less, so we stopped purchasing at that point of time. Of course, we suffered losses initially, but now since the last one month we are buying the cotton for our regular consumption.

**Shruti:** Sir secondly can you please touch this on home textile business?

**S K Khandelia:** Which one?

**Shruti:** Home textile business.

**S K Khandelia:** I have already mentioned to you that home textile business at this point of time being very highly discretionary, we are not able to do much better there and we are underutilizing our capacity, but as mentioned that we are doing many things and that is our game for a little long term, so immediately we may be showing the losses, but we are very hopeful that the way we are positioning our home textile division we are going to get much better.

**Updeep Singh** On the home textile, this being a discretionary business especially in the category specifically the living room, so domestic side we do not see much demand coming up in the next one quarter or two because of the frequent uncertain lockdowns that is happening so the market sentiment because of that is little down for the time being whereas in contrary in terms of exports we are seeing good traction from US, UK and even in Middle East, so in the last couple of months or I would say in the last quarter we have seen some good opportunities, which have come up our way and we have taken those opportunities. To

offset something from the domestic side where there is no production for the time being so that is on the home textiles as of now and what is going is on the e-commerce. E-commerce has some traction now even on the home textiles, so we are venturing out in that as well.

**Shruti:** So, Sir, you mean that going forward in the coming months we will see a lot of tractions from the overseas market and the online business not from the domestic?

**Updeep Singh:** Yes at least for the next one quarter I think there will be less traction in domestic because there is a cycle time as well although this Diwali season is coming we have this festival in the month of November so before that there could be some surge, but that will be temporary so unless there is a stable working in the lockdown and these sorts of things are a little certain I think home textiles in India will take a little time to revive on that.

**Shruti:** Sir if you could also tell what is the yarn spread for this quarter ended as on product wise dyed yarn and Melange yarn?

**S K Khandelia:** Pardon can you please repeat your question?

**Shruti:** Sir, can you please share for the quarter ended yarn spread in product wise in terms of dyed yarn and Melange yarn?

**S K Khandelia:** You want to know the quantity or what?

**Shruti:** The price spread Sir?

**Bipeen Valame:** We will send it across to them the spread.

**Shruti:** Yes Sir. Sir I just wanted to see the number?

**S K Khandelia:** Our gross margins have not gone down, but we have improved. As you know in case of dyed yarn we have a large number of people because the scope of automation comparatively is less as compared to grey yarn, so a large number of people are with us and their wages and other things for the lockdown and such other periods and that has distorted the results of Q1 so that will not be that way, but if you see the gross margin that has not deteriorated whether it is dyed yarn.

**Shruti:** Okay Sir that is all from my side. Thank you for taking my questions. If I have more questions I will come back in the queue. Thank you, Sir.

**Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. S K Khandelia for closing comments.

**S K Khandelia:** Thank you. I would like to conclude the conference by simply saying that I am a very optimistic person and I feel and as you all know however long the tunnel maybe at the end of the tunnel there is definitely light, similarly however long the night maybe at the end of the night there is daylight so that is there and we are fully geared to cross the tunnel whatever the length of the tunnel maybe we are able to pass the night whatever long it maybe and we are fully geared to emerge stronger and to take the opportunities and to capitalize on our stance once the demand revives. Thank you.

**Moderator:** Thank you. On behalf of Sutlej Textiles and Industries Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.