

21<sup>st</sup> July, 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 and year ended 31<sup>st</sup> March, 2020 earnings conference call held on 17<sup>th</sup> June, 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 and year ended 31<sup>st</sup> March, 2020 which was held on Wednesday, 17<sup>th</sup> June, 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 17<sup>th</sup> June, 2020, as per the Transcript enclosed incorporates mainly the highlights of financial results upto 31<sup>st</sup> March, 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  
Q4 FY2020 Earnings Conference Call”

June 17, 2020



**MANAGEMENT: MR. S. K. KHANDELIA – PRESIDENT & CEO**

**MR. UPDEEP SINGH CHATRATH - DEPUTY CEO**

**MR. BIPEEN VALAME – WHOLE TIME DIRECTOR & CFO**

**Moderator:**

Ladies and gentlemen, good day and welcome to Sutlej Textiles and Industries Limited Q4 FY2020 Earnings Conference Call. 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, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Bipeen Valame – Whole Time Director and CFO. Thank you and over to you Sir!

**Bipeen Valame:**

Thank you and good evening everyone. I welcome you all to the Earning Conference Call of Sutlej Textiles and Industries for Quarter & Full Year Ended on March 31, 2020. I have on this call with me Shri. S K Khandelia Ji, President & CEO and Shri. Updeep Singh Chatrath, Deputy CEO of the Company and our Investor Advisors Stellar IR, who work with our Investor Relationship. The result presentation has been uploaded on the exchanges and I hope everyone had an opportunity to look at the presentation.

I will take you through the financial performance highlights followed by industry insight by Shri. S K Khandelia Ji and Shri. Updeep Singh Ji. The current exogenous shock rising on account of novel Coronavirus pandemic COVID-19 has impacted economies globally including India. The economic activities came to halt with extended lockdown from March 25, 2020, which also largely impacted entire textile value chain including Sutlej Textiles. During quarter ended March 2020 the company reported consolidated total income of 545 Crores in Q4 2020 against 628 Crores in Q4 FY2019, and 2442 Crores in FY2020 against 2642 Crores in FY2019, which is impacted largely due to lockdown of manufacturing units due to COVID-19. Gross profit margins expanded by 340 bps and 250 basis points during Q4 2020 and FY2020 respectively on account of softening of raw material prices and decent realization. EBITDA stood at 23 Crores in Q4 FY2020 against 54 Crores in Q4 FY2019 and 198 Crores in FY2020 against 240 Crores during same period previous year. The major reasons for drop in profitability during FY2020 arise under on account of lockdown, loss of contribution, wages and salary and finished goods devaluation around Rs 21.25 Crores. M2M losses on foreign contracts, which is Rs 11.31 Crores and as you know this is the accounting treatment. We also took one time provision for doubtful debt and devaluation of old inventory stores and spares amounting to Rs.9.44 Crores, so total comes to around Rs 42 Crores as an impact year-on-year basis. The company reported a loss of Rs 14 Crores in Q4 2020 against profit of 10 Crores in Q4 FY2019 largely impacted due to lockdown and COVID-19 and the reasons, which I have mentioned above.

During FY2020 various measures that management has initiated to strengthen our balance sheet where we have reduce our total debt by 49 Crores on net basis on year-on-year basis led by efficient working capital management as a result of short-term debt has been reduced by 89 Crores during the same period. Debt to equity has been reduced to 0.91x during

FY2020 against 0.98x in FY2019. The debt repayment also contributed towards reduction in financial cost by 19% year-on-year basis for FY2020. We believe strong balance sheet will aid the company to withstand this challenging period. I would now request Shri. S K Khandelia Ji to share the business outlook and industry scenario and then we can open the floor for question and answer. Thank you and over to Shri. Khandelia Ji.

**S K Khandelia:**

Thank you Bipeen. Good evening to everyone and thank you very much for attending this conference call. I hope you are all keeping safe and healthy and taking all precautions to be well.

I will like to say that all of you know and Bipeen has also touched upon the crisis, due to pandemic COVID-19, but I would like to add few more points about this crisis So this crisis is like a black swan event, which means the crisis was totally unpredictable, rarest of rare with severe consequences that have stopped economies and businesses. So this is the dimensions of the crisis, which we have known, you see that economies and businesses across the globe, have been impacted and India is not exception to it and in case of say now coming back to the textile industry as you know the Indian textile industry was not doing so well since last three years due to one reason or the other like GST, US-China trade war and so many other issues, but still we were doing better as compared to our peers and things were going on a right direction. So all of a sudden, this COVID-19 pandemic broke out, but we have to learn to live with the situation and we are doing so. The main thing is there because of this COVID-19 there has been 70 days complete lockdown in the country and then it has started opening but increase gradually. Our factories also remained closed from say sometime in third and fourth week of March from March 22, 2020 to April 20, 2020. Thereafter we started opening our factories gradually and when the factories have started working and gradually we have been increasing the capacity. As of now on an average we are working at 50% capacity and whatever capacity we are working at it is all sold, goods though dispatches are poor because domestically as well as in export markets everything was under lockdown, markets were not opened, now the markets have started opening gradually, I will divide it into two parts, one is exports, two is the domestic, in case of exports there has been 73% decrease in exports of textiles and clothing in April and May as compared to corresponding period last year, so there has been a big fall in export and it was thus natural and expected. In case of domestic market as per Clothing Manufacturers Association of India expects 54% of demand has gone down because of most of the shops, malls and other things were closed and still when the shops started opening and all the shops or rather most of the places opened the customers are not available. Fear psychosis is much more and is damaging much more than the rest itself, if you see that the number of deaths and other things is not rather if you see as compared to the road accidents it maybe even lesser than that, but the fear is so strong that people are not going to market, not going to buy anything except essentials. In case of clothing customers want to buy only T-shirts,

Pants, which are required to work from home something like that, undergarments for which there is a demand then there are medical textile like PPE, masks and so many other things, but overall there is no demand as of now, there are no marriages, there are no festivals, there are no parties, but the situation is going to change going forward, but it will take some time because the situation remains quite uncertain. At this point of time nobody knows, how long it is going to take, what will be the depth of the crisis, but the people always hope that the worst is behind us, which I think I also feel that the worst is behind us.

Going forward there will be some improvement though gradual and let us hope for the best this is the position in general. So far Sutlej is concerned; fortunately though we are also impacted very badly by this crisis because the demand is not there, working at partial mere 50% which is very less as compared to 95% we used to work, so those challenges we have, but still since on the base of the incident main thing, which the people are facing at this point of time is the liquidity crisis, many textile units do not have the money to run the business even, they do not have the working capital because the money is held up, not coming yet from the markets, goods are not moving, but fortunately due to our financial strength we are not facing such type of problems, we have not availed any moratorium on term loan repayments, we have not taken any additional working capital so that is helping us to tide over the crisis.

Second thing is our operational and marketing spend. As you know we have been telling in the earlier conference call also that we are present across the globe, we are exporting to nearly 70 countries, in India we are in all the corners of the country and we produce all types of yarn manufactured out of synthetic or natural fiber whether it is for knitting, weaving or it is for the industrial use for home textile and for all types of dyed yarn, so all types of grey yarn. So because we have such a large product basket and a such strong marketing network and operational strength and financial strength we hope that we should be able to withstand this crisis and in fact as you all know though it is very sad, but many businesses will have to shut down their shutters by the time this crisis is over because of one problem of the other because of the losses, which they will not be able to withstand, but after that whosoever remains in the business will emerge much stronger and we feel that we should be able to withstand this crisis and should emerge stronger and we have been engaging all our stakeholders whether it is our customers, whether it is our suppliers, whether it is our bankers, whether it is our employees, so everybody is on the board so that way and we have been also optimizing our operation and fixed cost and have been looking into product and process innovation in this time of lockdown so we all have been continuously working that way though from the remote that has become the new normal so that way we have tried to do many new things, which will help us going forward. So this is what I wanted to share and challenges are there, situation remains uncertain, but we hope that we will be able to withstand that. Thank you.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We take the first question from the line of Yasir Abbas, an Individual Investor. Please go ahead.

**Yasir Abbas:** I think your assessment of this situation was really helpful in understanding the direction textile industry is taking, but as you mentioned Sutlej is present across various segments of the textile industry, so I think we would be the first to recover from the unfortunate tragedy, which is in front of us, Sir when do you think see you said your operations are at 50% now, so do you think sometime during the second quarter you would get back to last year's level Sir this is my question one and question two is what is in your view on MEIS scheme, is there any talk of it coming back in this kind of a situation or any other scheme for textile exporters, which the government is planning? Thank you, Sir.

**S K Khandelia:** Now taking your first question. As I mentioned the situation is quite uncertain, nobody knows how long this is going to be, we may come on 100% by end of second quarter, we will not be able to do so even at the end of the year or maybe we will come back to 100% even before the end of the second quarter, only thing, which I can say that we are fully geared, if there will be demand and if there will be things will be moving we will be able to come up to 100% as soon as the market, demand and everything emerges, but as of now the situation is quite uncertain whether it will be by the end of second quarter or by the end of the year, so this is still quite uncertain and nobody able to tell at this point of time number one. Number two regarding export incentives and other things, government is still having the problem, they have been continuously working and they have been coming out with small, small things as per the representation of the industry, but the government is still having the problem and they are continuously looking into it and we hope that the government will do something. Thank you.

**Yasir Abbas:** Out of our total turnover of let us say around 2500 Crores in the past two years, how much is it India centric, how much is outside India?

**S K Khandelia:** Normally see there will be always some fluctuations, but normally it is one third of it. So normally maximum about 70% is domestic and 30% is export, but at times depending upon the market conditions and the prices realization it can go up 50% to 60%, so it is a fluctuation normally it is around 30% export, 70% domestic.

**Yasir Abbas:** What is your view on the debt, which Sutlej is carrying during the next two years would you look at reducing even further because currently we are having a controllable debt so as to speak what is your view on the total debt and what is your view?

- S K Khandelia:** So far debts are concerned it has already come down even before the COVID we were trying to bring it down by very strong financial controls, so you must have seen that we have never leveraged our balance sheet in the last four, five years we have been maintaining very high level of financial discipline and that is the reason even in this COVID related say three months are already over we have not suffered any losses, and you know everybody has suffered lockdown losses, but still so far naturally we will continue to have a stringent financial control and we hope that our debt and everything will remain within limits so how much it will go and down it is very difficult to predict at this point of time because everything is uncertain, but I think our financial discipline will be there and all our debts are bound to or likely to remain under the control.
- Yasir Abbas:** With 50% of your capacity what is your sales in terms are able to sell 50% of whatever you make?
- S K Khandelia:** Yes whatever we had produced is all sold, the only thing is the dispatches are slow at this point of time except exports from this, but those are picking up from June 1, 2020 to June 15, 2020 we have seen that the dispatches are picking up particularly in exports.
- Yasir Abbas:** Thank you Sir. Thanks a lot.
- Moderator:** Thank you. Next question is from the line of Prerna Jhunjhunwala from B&K Securities. Please go ahead.
- Prerna Jhunjhunwala:** Sir I just wanted to understand the pricing scenario in the market with respect to raw material and finished goods also, so branded yarn and cotton yarn how the demand is and how the pricing going on and with respect to raw material sales?
- S K Khandelia:** Yes, in the case of raw material sale let me first take the cotton. As you know the cotton prices has gone down about 15% to 20% depending upon the variety of the cotton and say about 38500 per candy of Shankar 6 export those had come down to 32500, but in the last few days those have increased by about 3% even CCI has given the huge discounts and their prices are about 35000, 36000 per candy for 29 mm cotton they have never given such type of discounts in the past because demand is less, not only in India, but across the globe demand is very, very poor because the industries were under lockdown throughout the world and in India also the consumption has gone down and still the average working of the spinning industry is 30%, 40% maximum though grey cotton yarn has been doing little better in terms of capacity utilization may not become so poised in profit, but because many people had cotton and there were export market like Bangladesh, Vietnam and others so that would do something grey cotton yarn could do little better capacity utilization initially. So the cotton prices are likely to remain under pressure according to me because according to

international statistics the stock at the end of this season and going forward in the next season the stock will be the highest ever and second thing is the sowing has been about 24%, 25% higher stock at this point of time as compared to last year because of the good surplus of the cotton. So cotton prices are likely to remain under pressure. Second thing about the yarn realization in case of cotton yarn and cotton related products, to see when there is less demand because the spinning mills started functioning sales sometime in last week of April or after April 20, 2020 some started in first week of May. For the downstream industry like knitting, weaving and garmenting they started much later. Secondly the spinning industry has the labor in their housing colony so they could run and better capacity, but the downstream industry does not have labor colony and people were not ready to stay outside, so there has been reverse migration, the workers have gone to their houses even from the spinning also, but from these industries most of the people have gone say Ludhiana, Tirupur, NCR, all those areas. So there are no workers even if they want to run, so without the downstream industry demand in India is very poor, but the overseas demand Bangladesh, Vietnam very good demand of cotton yarn, but then there were dispatches issues in Bangladesh dispatches because there were problems at the Chhatrapur went for, so now this time it has been resolved and the dispatches has started, so those was another challenge. So cotton yarn will continue to sell, realizations will be under pressure in my opinion and similarly cotton rates will be also under pressure, but the margins will also be definitely under pressure according to me because the supply will be more than the demand domestically as well as the export. In case on manmade fiber yarn you see the manmade fiber yarn you see majority say there are many varieties whether it is the ladies garment, whether it is gents garment, whether it is the functional garment, whether it is the essential garment, so the demand is not there whether in domestic, whether in export, but everywhere the demand is subdued, demand has started coming in, but the supplies are constraint, people started working initially and since the mills have very heavy fixed charges they need to work at least to some capacity whereas the smaller investment in India as you know the most of the downstream industries unorganized, so they have much lesser extending charges, but still they have but they do not have labor so the supply pressure will be there, realizations will be under pressure, demand will be poor, in case of raw materials of the fiber those have already come down say in case of polyester staple fiber that has already come down, but from this level I do not think there will be any further downfall and the prices are likely to remain range bound at least for the next two month or so, but still the situation is totally dynamic, everyday situation is changing. As you know that we are assuming between hope and despair, in the morning we think the things are going to be better, in the evening nothing has changed, so the situation is totally uncertain, I think any prediction even reasonable guess is very difficult, but one thing is very clear that the demand will be less, realizations will be less, margins will be under pressure, so this is the situation. I hope I have answered your question. Thank you.



- Prerna Jhunjunwala:** Sir with respect to cotton you mentioned the prices have been down by 15%, 20% what would be the decline in PSF and VSF prices?
- S K Khandelia:** If I say the PSF prices has gone down by about 10% and VSF has gone a little bit, but those prices are also under pressure and go down further going forward.
- Prerna Jhunjunwala:** Sir next question is with respect to our recycle plant so in this current situation are we continuing with the capex plan or what is the status of that plant and when do we plan to complete it?
- S K Khandelia:** No, we are already on the stretched , we have not abandoned any of our capex projects for your information we are on the stretch our plant is almost ready it is to be commissioned and we have to commission sometime in October, November.
- Prerna Jhunjunwala:** What was the capex for FY2020 and what will be your capex for FY2021?
- Bipeen Valame:** The total capex including this whatever normal capex was around Rs 260 Crs and next year onwards we are expecting it to be Rs 35 Crs, this also includes some modernization projects, which we are doing in Damanganga Home Textiles.
- Prerna Jhunjunwala:** Okay, you are increasing capacity there or it is modernization in Damanganga?
- Bipeen Valame:** No, it is actually modernization, we are essentially adding certain machinery to increase the product portfolio as per the customer requirement.
- S K Khandelia:** You can call it debottlenecking and it was something like that, so we are on the track of our capex., Those things which are not so important this year only those things we may not do, but we are on the track because I think even if there is 3 months, 6 months, 12 months, but we hope that we are getting ready for when the normal demand comes up.
- Prerna Jhunjunwala:** Sir in general scenario your hosiery product form what percentage of industry because right now we are seeing good demand in the hosiery product as you mentioned track pant, T-shirts and stuffs, so generally how much proportion of Indian industry is actually knitted and how much would be driven any of that statistics available?
- S K Khandelia:** I think right now I may not had the exact statistics, but I can say about the knitting the entire hosiery industry maybe about 40% and we may be around 60%, which includes export as well as for domestic market.

**Prerna Jhunjhunwala:** Sir how is the user segment doing apart from hosiery that when we are talking to certain yarn companies they were saying home textiles demand for yarn is also building up decent so any other user industry doing better apart from the hosiery segment?

**S K Khandelia:** I do not think, every sector is doing something but it is not up to the mark, when the winter will be approaching so people will be preparing for the winter something like that, in case of exports uniforms we will be doing fair, in India also schools everything it will open because as of now nobody knows when the schools are going to open, the police, military and so many people need uniform, so uniform sector is another sector, something like essential you see if somebody has to buy shoe today for going to a party, may defer it.

**Prerna Jhunjhunwala:** Understood Sir. Thank you I will come back in the queue for more questions.

**Moderator:** Thank you. We take the next question from the line of Ritesh Poladia from Girik Capital. Please go ahead.

**Ritesh Poladia:** Sir what is the capex plan for FY2021?

**Bipeen Valame:** So 2021 we are having a capex plan of around Rs 25 to Rs 35 Crores normal capex and the capex for the project, which is under implementation there will be some additional capex of around 20 to 25 Crores.

**S K Khandelia:** 50 Crores total.

**Ritesh Poladia:** On green fiber how much is already spent and to be spent?

**Bipeen Valame:** We have spent around Rs 176 Crs and to be spent is around Rs 25 to 35 Crs.

**Ritesh Poladia:** Is there any change in the capex plan for green fiber because I believe earlier it was about 175 Crores?

**Bipeen Valame:** No, it was not. So there is no change in our capex plan what has happened is that as we said that if you see the press release also there is some impact in terms of the commissioning this should have happened much earlier, because of this pandemic COVID-19 and the travel restrictions we are seeing that the product is getting on timeline basis and the cost basis slightly delayed and so there could be some cost impact because the commissioning could not come because the engineers could not come after China had put the restriction after in January, February the Government of India also continue to be to have the restriction on travel, so the manpower could not come for the commissioning, so we are ready, we have done everything whatever required from our end and we are expecting them to come here and we are working with the government closely to get the visa done.

**Ritesh Poladia:**

Assuming everything is open how much time it will take to commission now?

**S K Khandelia:**

Everything is ready only commissioning and so the fine tuning is pending, you see that even the government has not yet indicated when they are going to start international flights, but as per the indications as per the thinking sometime in July they should start the international flight, domestic they have started. Once they start the international flight the engineers will come and thereafter as I mentioned to you that commercial production of the project will start in October and November this is what is our expectation at this point of time.

**Ritesh Poladia:**

Also in presentation on slide #13 you have mentioned about your next growth pace could you give us some more indication as what are the new segments and inorganic growth opportunity, which we are taking?

**Bipeen Valame:**

Yes, I just take this question. So essentially what we talk about the net debt is based on the backward integration, which is that what we are expecting in a green fiber project, once it is commissioned we will have a much better control on the recycle fiber and we will be able to meet our own requirement capital consumption requirement to the extent of 65% to 70% of our own consumption requirement in all our yarn capacity, so we have much better control, consistency, price quality and also we will see improvement in EBITDA margin because of the greater raw material prices fetching on the bottle to conversion that is one, two we are expecting that the growth in home textile going forward because home textile you can see that on segment basis there was a pressure and we have also taken some charge, but the things going forward we expect that the home textile should grow and we are now having new SKUs and the new designs, which are getting launched. Opportunities in forward integration and keep on exploring new specialty yarns everyday and have new customer, new territories so we are over a period of time now having presence in more than 65 countries in export, we are having probably the largest diversification in terms of customers world over and the segment also and even the geographies for manufacturing. We are also working as you can see that we dropped our working capital so you can see actually the free cash flow also we could generate and meet all the requirement of financial and we have underarm limits in working capital as well as we have dropped the rates, so we are expecting that the margins should essentially improve going forward. Of course we were not expecting the event like COVID-19, but we are still hopeful once the things settle that we will see because as Khandelia Ji said we are fully geared up and ready so once the economy gets stabilized and revival we will be the early movers and our people who will get the maximum benefit up from that on the demand revival.

**Ritesh Poladia:**

Sir also you have spoken on the inorganic growth opportunity and at the same time you are saying of the deleveraging also so what is the optimum debt equity you would look when you can start inorganic opportunity?

- Bipeen Valame:** We are actually lower than one, if you see my total debt to equity ratio it is much lower than one in fact that is what we have predicted, so we are not having a specific number in our mind for any specific inorganic opportunity, but what we are saying is that we have remained very highly disciplined and very conscious of our debt and over a period of time we are also very aware of our interest burden so you can say there is a continuous drop in the interest so we are saying the debt equity is 0.91, which is lowest in last five years since 2016 onwards.
- Ritesh Poladia:** Sir one final question what is the cost of debt for us after all the subsidies?
- Bipeen Valame:** Yes, 6.7% we have mentioned the average cost of debt for all term loan after tax is 6.7% and our working capital also will be at similar rate or slightly better than that.
- Ritesh Poladia:** That is it from my side. Thank you so much.
- Moderator:** Thank you. Next question is from the line of Aastha Chandani from Scion Associates. Please go ahead.
- Aastha Chandani:** Sir I have a few questions on the home textile front Sir I wanted to know what is the outlook on the home textiles particularly the approaching demand for you in the next two to three years if you could elaborate on that?
- S K Khandelia:** Yes, Updeep Ji please reply it.
- Aastha Chandani:** Sir just I mean elaborate based on the market wise basically in the US, Europe, Middle East, if possible?
- Updeep Singh Chatrath:** On home textile front especially if you are talking about upholstery and drapery so post COVID situation it will be like this that this is one of the last items the discretionary item. So the comeback for this segment would be it will take some time, but we expect that the same levels what it was in the last year we could reach somewhere towards the 2021 this is just an estimate, in that we can do that and most likely it will be more towards the hygiene, where we have antiviral, antibacterial these sort of functional textiles and in US this demand would come first because they are the first who get into these things so I presume that the US demand would come first somewhere that too in the year 2021 or towards the last quarter of 2021 and similarly US will be followed by Europe. Middle East I think it will be little depressed for little longer time than these two countries so I presume that 2021-2022 we will see a demand of pre COVID.

**Aastha Chandani:** Also Sir I wanted to know that have you been able to shift the job work completely to our own capacity?

**Updeep Singh Chatrath:** Not yet because you see we had that plan for this year starting from March onwards, but due to this current situation we are not able to do that, but we are getting better realization in job work now so we are getting a better job work basically for the processing side, so on the home textile front we have made some changes on our product portfolio, which has got a good resonance in the market.

**Aastha Chandani:** Also Sir are we currently doing any work for the US, UK, Europe markets yet as you had mentioned earlier that they have better margins?

**Updeep Singh Chatrath:** Yes, our realization in these markets in exports have increased over the last year and now also we have the first revenues coming from US even in the post COVID, if you look at all countries including a domestic market we have got some good business in US in the last 10 to 15 days, so US is giving us good margin and going forward we look forward that we get better results there and better orders there.

**Aastha Chandani:** Also you have mentioned on the earlier quarters where we were planning to launch a product in the US through the American Silk Mills if I could know the status of the same?

**Updeep Singh Chatrath:** Yes, this was already we have placed 56 placement of that product and there was a market we scheduled in the month of May then it was postponed to July, now it is basically postponed to November, so if it happens this postponement was because of COVID, so if this happens because there is a cycle for this so I think we will be able to start getting the orders somewhere in the month of November out of those 56 placements we have done for ASM Loft.

**Aastha Chandani:** If I could ask on the distribution of home textile how much of the sales is through brick and mortar and how much is through e-commerce?

**Updeep Singh Chatrath:** I would say as of now our 93%, 94% comes from brick and mortar and online sales is only in couple of formats in India. So now we are increasing that, we are now getting register and we have now geared up with our virtual showroom to do online sales, as of now it was only 3% to 4% or 5%.

**Aastha Chandani:** Sir is this in line with the industry trend?

**Updeep Singh Chatrath:** In upholstery yes, in case of made-ups it is slightly more, but since we were not in made-ups in the past so now we are getting into that so otherwise for upholstery it is in the industry trends.

**Aastha Chandani:** Also on account of COVID are we seeing a change in the consumer purchase pattern now?

**Updeep Singh Chatrath:** That it is yes, there will be couple of changes, which we foresee based on what we have experienced over the last three, four months one is as I said the industry would go more towards functional textiles like antiviral, antimicrobial, antibacterial, all these, all these value added things, so the consumer would go more on that even in upholstery and to a larger extent even in curtains so that is the trend, which we look at, even in terms of hospitality industry because post COVID when they make some renovation in the hotels and hospitals and others there they will go for more of fire retardant and such functional textiles so this is the trend which we envisage and there will be a change in the trend.

**S K Khandelia:** I hope we have replied all your questions.

**Aastha Chandani:** Yes Sir. Thank you, Sir.

**Moderator:** Thank you. Next question is from the line of Shoumik, Individual Investor. Please go ahead.

**Shoumik:** Sir in the past we have seen that whenever there are challenging times there is a lot of consolidation that happens within the industry and we have seen smaller players without good balance sheet strength kind of falling to the wayside, so given your vast experience in the sector what do you think is going to be the outlook as far as the Indian textile and apparel sector goes do you expect a similar sort of consolidation that is my first question and if I can also ask the second question you have foray into a lot of products, which are very relevant as I see on your presentation antiviral cloth and various PPE equipment also you are manufacturing, so I was just wondering what is the longevity of these and going forward do you expect these two contributes significantly to your product line and how do you see that panning out as well?

**S K Khandelia:** Regarding consolidation I am of the view that lot of consolidation is going to take place because it will be difficult for the weaker players to continue, so consolidation was happening and I think going forward it will happen in a much larger degree domestically as well as internationally number one. Second thing regarding the products, which we have started doing I have to say that there are certain things, which have changed forever like people have become more sensitive towards the environment, towards their fitness, towards their wellbeing, which they never thought earlier, so many things like Mr. Updeep mentioned that antiviral so there are many antimicrobial, antimicrobial is nothing what

antibacterial so many such type of things like the people safety, safety equipments these things are going to stay, may not be the exactly the same type say it would have PPEs in short supply though India have done well, but definitely going forward most of the people doctor, nurses and other paramedical staffs would like to work with the PPE, which they have never thought of. So even the replacement demand because the PPE can be only for the one day, once you take it off it is useless so those show some demand going to be there in domestic as well in export market so that is why we had not done it for only for a few months or something like try by night or nothing like that so those demands are likely to remain there may be in variant degree.

**Shoumik:** If I can just ask a followup on the consolidation bit, are you expecting some of the larger players such as yourselves to be picking up smaller companies or assets if they are available for cheap and if is there any strategy along those lines going forward?

**S K Khandelia:** We always keep on evaluating various options, see it should be strategically, it should fit in our objects, so those are the different things, which we keep on evaluating, but I cannot give a particular reply at this point, but we keep on evaluating, we are always looking for opportunities, so consolidation can be a better opportunity than putting and bring some plant at this point of time where the things are well, if it is only due to financial or because of any other inefficiency or that quality or customer relationship or something like that due to that reputation, so those are things, which we keep on evaluating and if any good thing will come naturally we will remain in case going forward.

**Shoumik:** Alright Sir. Thank you so much.

**Moderator:** Thank you. We take the next question from the line of Prerna Jhunjunwala from B&K Securities. Please go ahead.

**Prerna Jhunjunwala:** Sir just wanted to check on the cost side how are we reducing our fixed cost in this scenario and what steps have we taken in the last three months, which will help us deleverage our P&L, we know we have deleveraged your balance sheet by reducing your debt and working capital what is happening on the P&L side?

**S K Khandelia:** There are so many components with fixed cost not one cost so far in the overhead for example I said the traveling you see there is lot of people use to keep on traveling in India and abroad for marketing and other purposes for industries and factories and other things so see nowadays everybody is working online and this has become the new normal, so traveling costs are bound to go down because people have reached it, earlier if I wanted someone to offer you come on the line and we talk on the line and discuss everything for us people may not have, but now everybody rather feels happy to be online they save lot of

time, the traveling time is one example like that, so that was a big cost of our quick overheads. When there are so many other overheads like parks and other things offices space many things we do not need so many offices everywhere, we can cut down some of the offices, we can cut down some, some people can continue to work even for the full year from their houses that will save their time, they will be with their family if they will have the convenience of working, so those type of things have already started happening, the person who are continuously working on individual component so this is how when there are the employees cost we had not hired anybody even because we always believe in utilizing our resources in a much better way, there are so many opportunities, but we are definitely looking into make better use of our resources even if the employees or anyone else, so those type of things we are doing, so perhaps an absolute number may not come down in some of the cases, but in terms of value proposition it will increase.

**Prerna Jhunjunwala:** So no definite major increase in...

**S K Khandelia:** There are so many I cannot outline everyone.

**Prerna Jhunjunwala:** No I am not asking outline then maybe 20%, 30%...

**S K Khandelia:** We are thinking to go paper less, we require to have so many paper, stationary and filing and filing racks and everything counts money, there are so many things which we are doing like that.

**Prerna Jhunjunwala:** One question on the consolidation front that the previous participant has also asked how much capacity would have actually gone out of system in the last two to three years because demand was not that great and things are not that great for the industry in the last two, three years?

**S K Khandelia:** About 10 or about 8 not much number, there may be a stress some might have gone out, some maybe on the verge of going out, which they may go now maybe about 8% to 10% say total capacity might have gone down maybe it is due to partial working at that point of time before COVID. Post COVID government will go down it is very difficult to predict at this point of time.

**Prerna Jhunjunwala:** Okay so 8% to 10% would have definitely be under stress?

**S K Khandelia:** This is my guess I do not have the exact figure because some maybe working partially as long to the industry so one has 100000 spindle capacity but he is operating only 60000 so that way it has gone down, so we have the capacity to produce 3x but we are using only 1x, so somebody has the capacity of 1000000 spindle what he is operating only 2 lakhs so



something like that, some might have crossed, but actual closure might have been very little less, but it may be mainly due to the partial working but the actual impact will be coming now because they were already stressed so it will be difficult for them to continue many of the units.

**Prerna Jhunjhunwala:** How is the demand for mélangé yarn at this point in time?

**S K Khandelia:** Demand for every product is challenging right now, mélangé is also going for various application, domestic export, permits dependence and garment export so there has been lot of liquidations outside India, they have buying houses and renegotiate with many countries who are buying those yarn so those challenges have been there so for the mélangé also challenges are more or less the same.

**Prerna Jhunjhunwala:** Okay Sir, thank you so much.

**Moderator:** Thank you. Next question is from the line of Sonali Thakur from Mehta Investment. Please go ahead.

**Sonali Thakur:** Sir my question is on our hedging strategy so does a company has some hedging policy or any strategy they follow if you can throw some light on that?

**S K Khandelia:** Every foreign exchange exposure is based on the confirmed export order, we do not take any foreign exchange exposure without underlying export contracts, so the real time hedging is there, so today if I have received the export order I will either sell it forward or we get PCFC, so it is 100% hedge all the point of time if there is anything, hardly there is any cancelation of any orders in our case if that is concerned then it is taking forward as another export contract, so this I our hedging policy.

**Sonali Thakur:** I was asking if you could share the average realization you will see INR conversion rate in Q4 FY2020?

**S K Khandelia:** I may not have the exact figure right now before me, but to say February things were going on well and it was on the landslide it was in the third quarter, but now the realization is less and the margins have gone down as I have already mentioned, so average realization is not so important, the important is the gap between realization in raw material. We saw gross contribution, gross margin which we considered, gross contribution so that is more or less you can say definitely in some of the products it has gone down, in some of the products it is more or less same, but definitely overall it has gone down.

**Sonali Thakur:** Sir also I wanted to ask on the knitting side that in knitting there is a very small capacity so do we have any plans to scale it up in near future, can it arrive as a new segment going forward?

**S K Khandelia:** Yes, going forward we have the plan but not right now because this was trial capacity for a specific product so like some of the manufacturers, which use special lycra and high end knitted fabrics and that was meant for the knitting of that, in mélange yarn only not the outside yarn or any other things that was for the specialty yarn, so once we goes through because then there has been many challenges once you put up those capacity those have still not come up to our expectation so far so once that happens, but in future is of the knitting and knitting is definitely much more than the woven products so we have the plans to go ahead, but not right now.

**Sonali Thakur:** That is all from my side. Thank you so much for answering my question.

**Moderator:** Thank you. Well ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. S K Khandelia for his closing comments.

**S K Khandelia:** Thank you very much for all those who joined and asked interesting questions. So the first remark, which I would like to make is our first priority has been to see safety, ensure safety of our people and similarly I expect all our stakeholders, whether shareholders, whether suppliers, whether customers everyone connected with us directly or indirectly I would like them to be safe, healthy and take all precautions this is the first thing, which I would like to tell because if there is life then there is the world, these things, these COVID and all other things will be over sooner or later, like every night there is a day, sometimes night maybe little longer like during winter nights, in the north winter nights are little longer so after night there is bound to be sunrise and there is no doubt about it and we are fully confident and that we will shine with a much greater shine once this night is over and it is bound to be over this is what I wanted to say we are fully confident to get out of it. Thank you.

**Moderator:** Thank you. On behalf of Sutlej Textiles and Industries Limited we conclude today's conference. Thank you all for joining. You may now disconnect your lines.