

28th May, 2021

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

Dear Sir / Madam,

Subject: Transcript of quarter and year ended 31st March, 2021 earnings conference call held on 12th May, 2021

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 31st March, 2021 which was held on Wednesday, 12th May, 2021. The same is also available on the website of the Company i.e., www.sutlejtextiles.com.

The conference call held on 12th May, 2021, as per the Transcript enclosed incorporates mainly the highlights of financial results upto 31st March, 2021, 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 FY2021 Earnings Call”

May 12, 2021



MANAGEMENT: SHRI. UPDEEP SINGH CHATRATH – PRESIDENT & CEO

MR. BIPEEN VALAME – WHOLE TIME DIRECTOR & CFO

Moderator: Ladies and gentlemen, good day and welcome to the Sutlej Textiles and Industries Limited Q4 FY2021 Earnings 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 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. Thank you and over to you Sir!

Bipeen Valame: Thank you and good afternoon everyone. I welcome you all to the earnings conference call of Sutlej Textiles and Industries for the Q4 FY2021 and year ended March 2021. I hope all of you and your families are safe and healthy in the second wave of COVID-19. I have with me Shri Updeep Singh Chatrath, President and CEO, Sutlej Textiles and Industries Limited, and Stellar Investor Relations Advisors, our Investor Relations team. The result presentation has been uploaded on the exchanges and I hope everyone had an opportunity to look at it. I will take you through financial performance highlights followed by industry and business insight by Shri Updeep Singh.

We successfully commissioned Sutlej Green Fiber project on March 1, 2021, and the majority of capex as planned in FY2021 has been completed including booking capex. As you would be having seen our performance during the quarter has been very encouraging. Our units were operating at full capacity in Q4 FY2021, but buoyant demand for the quarter; however, our yarn business has performed very well. I would also like to highlight that we saw some improvement in home textile business in terms of export and cost optimization initiatives, which helped to reduce overall cost and also some losses to some extent during the quarter.

The company has also declared dividend of 30% that 0.30 paisa per rupee. During the quarter ended March 2021, the company reported the consolidated total income of Rs.678 Crores as against Rs.545 Crores in Q4 FY20, and Rs.557 Crores in Q3 FY2021. The capacity utilization stood at around 93% on an average for our yarn business in Q4 FY2021 as against 85% in Q2 FY2021. EBITDA during the quarter was Rs.82 Crores as against Rs.23 Crores in Q4 FY2020 and Rs.52 Crores in Q3 FY2021. Net profit during the quarter was Rs.28 Crores as against loss of Rs.14 Crores in Q4 FY2020 and a profit of Rs.12 Crores in Q3 FY2021. As far as leverage and borrowing is concerned despite COVID-19 pandemic situations since March 2020, the total consolidated debt has increased only by Rs.36 Crores, Rs.907 Crores from Rs.871 Crores.

I am happy to inform that despite increase in overall debt, the interest cost have come down by 17% to Rs.38 Crores in FY2021 with better working capital management, reduction in interest rate and other initiative taken by the company. Moreover, the debt to equity ratio has continued to remain below 1 even during such challenging year. We also could maintain a sufficient liquidity and unutilized working capital lines are over 40% to 45% of my sanctions. We continue to monitor and ensure that there is sufficient liquidity and we are able to meet all our obligations in time as we see a revival in demand going forward.

That is all from my side. Now, I would request Shri. Updeep Singh 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 you, Shri Updeep Singh

Updeep Singh Chatrath: Thank you very much, Mr. Bipeen. Good afternoon ladies and gentlemen. My sincere thanks for joining this earning call and I do hope you all, your colleagues, your families are fine and I pray that we all be able to clear what we are passing through all this what is going on responsibly with empathy, with resilience and composure.

The last year had been a challenging year and in my opinion most of the organizations had been designed for a more stable environment and year 2020, taught us all that this does not and would not exist anymore. The year made every organization reinvent not only by having a new strategy, but also understand and shape our work settings, all the work is coordinated in order to inspire our colleagues, employees, serve customers, exhibit social responsibilities and above all delight our investors.

As further statement given by our Executive Chairman, as you would have gone through the press release, I just quote him, “the company has successfully navigated the challenging market dynamics that prevailed in fiscal 2021 due to COVID-19 pandemic. The successful commissioning of the Green Fiber Plant in March 2021 will further help in our cost optimization efforts through backward integration and margin enhancement. Our operations continue to run normally so far in the midst of second wave of COVID-19, which have disrupted economic activities in India and globally; however, the company is conscious about the future outlook in near term and we continue to focus on cost optimization and diversified product portfolio.”

Sutlej, as I said had been no different and we all strive hard to be agile and adapt in evolving scenarios week after week. Our leadership and the teams exhibited strategic ability mindset, position to win in our future for example, on the front end we did not only concentrate on penetrating existing markets, but also created new and uncontested markets.

We did not think of meeting the competition, but moving ahead our competition was focusing on customers. In short, our teams did well in an environment of volatility, uncertainty, complexity and ambiguity. The entire textile and panel industry specifically the yarn manufacturers witnessed huge revival in demand since second half of the year and Sutlej was no exception.

There was strong domestic demand particularly for Hosiery sector and in the last quarter to some extent the weaving as well and we had stronger export demand from China as US put ban on imports of garments made from Xinjiang cotton led to a shortage of yarn resulting in very fast and steep increase in yarn bales. There was even a good demand for home textile sector that is bed bath in corporate sector and China plus one policy of brands also resulted in shift of orders to India and increased demand from the US and other developed countries on an account of work-from-home and increased requirements of hygiene, wellness led to home textile sector doing exceedingly well especially in bed and bath.

During the quarter, we at Sutlej have been able to workout at almost full capacities, as Bipeen said it was about 93% to 94% and it was backed by very buoyant demand. I am pleased to say that during the year, March, 2021, we started commercial commissioned production for a Green Fiber plant at Baddi with a capacity of 120 metric tonnes per day. This was a herculean task because we did not have the significant support of the manufacturer and technology giver from China and at any point of time we would have expected almost 30 plus engineers from Chinese technology suppliers to be there for the commissioning of the plant, but we did not have any, so our teams did well to do this online with our Chinese supplier support and they supported us very well, so thanks to them as well.

Now coming on the raw material front, I would say the cotton is going to be stable though we look at international prices as for the future ICEs have softened in the last few days, but overall price outlook remains bullish on weather concerns in Texas as major growing area in US is reeling under drought condition. However, COVID related developments have been playing spoil sport forcing arrivals of raw cotton to slow down, closure of ginning and pressing factories on an account of shortage of labor and slow movement of goods and reduced consumption. Arrival of cotton has dropped significantly as COVID situation aggravates across different cotton growing regions in the country. Daily arrivals have come down to around 15000 to 20000 bales from a peak of 2 lakh Indian bales with the cumulative seasonal arrivals reaching around 336.4 lakh that is approximately 93% against the crop of 360 lakh bales as on April 30, 2021.

Domestic prices for sometime now are stable, but have remained firm and are likely to remain stable to higher for the rest of the current season 2021. The current prices of J-34 cotton from north and Shankar-6 from Gujarat are going to be range bound. New crops sowings in north are already underway and sowings in the rest of the country will largely depend on timely and adequate on setting of monsoons, which have so far been predicted to be normal for the year 2021. However, the yarn production cuts if any, will impact the consumption of cotton fiber leading to higher stocks in the current season.

Coming on polyester, polyester prices and PSF are likely to see a stable to firm trend on the back of high international prices and weaker rupee. PSF being most versatile and one of the cheapest of the man-made fibers and its ability to run in 100% and in blends and replace other fibers, the adverse impact on its consumption is limited hence there is a little pressure on prices.

On recycle fiber, the prices are likely to remain under pressure due to COVID related developments and poor domestic offtake; however, there is sustain on the availability of pet bottles because of this COVID situation as well and as of feedstock and this might keep prices range bound. Viscose seems to be stable to range bound. Acrylic the price sentiment for Acrylic remains weak on the back of declining feedstock of ACM prices, which have substantially corrected in the last 15 days or a month.

Acrylic yarns are being highly local product. The current poor offtake in the wake of COVID related developments in different markets is weighing down heavily on the prices. We are also aware that there might be impact on the demand due to recent second wave, which has split the nation. We are making all efforts to minimize the impact by exploring alternative market segments, territories and reallocation of production capacities. There is a movement of labor as well, I mean the workforce has moved out of the fear as well and those who had gone on leave and they are a little reluctant to come back. We are making all our efforts to get our people back to work. While there might some challenges in the short-term owing to the second wave of COVID-19, we are confident that we will be able to sail through with our dedicated and collaborative effort with all our stakeholders.

Thank you very much and now we can open the floor for Q&A session.

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 Gandhi from Discovery Capital. Please go ahead.

Ritesh Gandhi: Congratulations on your numbers. Just wanted to understand from your own perspective this high spread, which we are seeing on cotton yarn and even on the polyester side, how sustainable do you think these are, I mean, if you could also give us your own perspective on the rationale behind how these have gone up so high and how you see this staying out over the next two years or so?

Updeep Singh Chatrath: Thank you, Mr. Gandhi for this pertinent question in this time. The cotton yarn has seen a surge over I would say last two quarters especially and this surge has come by way of the high demand in China and also in other countries especially even in US where the yarn has been exported and because of ban on Chinese particular province of this ban and these demand has given impetus to export from India as far as the yarn is concerned on one side. Second, in the domestic market also I mean because of the garmenting, which has increased over a time because of the exports the cotton yarn demand had increased in the last two quarters. In fact the prices have gone really up and now the prices are undergoing some correction in the cotton yarn as well. I think in my personal view that the cotton yarn prices were exceptionally high in the last two quarters and this would see correction and the present state of affairs in terms of prices would be almost sustainable at this level over the next couple of quarters or three quarters. I do not think I should be able to give you a horizon for two to three years because this is something which is difficult to say as of now because we see this fluctuations every day, but we feel that in the next at least couple of quarters subject to COVID, the cotton yarn should be at these prices if not lower than these.

Ritesh Gandhi: Got it, and effectively could you also comment on the polyester side of thing?

Updeep Singh Chatrath: Polyester, we feel that the polyester prices would be stable to range bound. I mean we do not see any much increase in the polyester prices going forward.

Ritesh Gandhi: I understand that the cotton prices had gone up and they have corrected slightly now and polyester ultimately depends on where oil is and chip spreads are, but how is the spinning spreads looking?

Updeep Singh Chatrath: I would say that there is definitely a pressure on polyester yarn especially wide, the segment we are in, so that way I mean grade polyester in terms of polyester cotton blends have been doing exceptionally well in the export market, but the sentiment in domestic market for polyester blends and dyed blend of polyester, it is quite low because for example, even the formal wear is not working today, the school uniform are not working today.

Ritesh Gandhi: It is all COVID impact effectively?

Updeep Singh Chatrath: Yes, as you see that these formal wear and school uniform that is a clear COVID impact and today, the polyester blend yarn, which goes in the weaving sector in domestic market and even in export to some extent has been highly impacted, adversely impacted I would say.

Ritesh Gandhi: This is when you are comparing right now compared to Q4 is it?

Updeep Singh Chatrath: Yes, if you look at the fiber prices, the difference in fiber prices between say from November to Q4, the polyester prices for fiber increased by 32% and this was due to various reasons there are internal reasons in terms of the raw material, oil prices, the freight because this is in parity with the imports, so the freight for the last two quarters have gone up substantially from 2 cents to almost 11 cents and these are comparable CIF basis .

Ritesh Gandhi: If we were to look broadly speaking of the kind of EBITDA we would expect to do in let us say in 2022, what is a sort of a number, which you would be able to give us some guidance toward?

Updeep Singh Chatrath: I would say that that guidance it is too early, looking at the second wave in India and the way this migration in the workforce also happening and a little bit of volatility in terms of what is capacity utilizations and the demand, see today, almost whole of India is, I would not say under complete lockdown, but yes, it is in a near state to that, so the malls are closed, the front end is almost down, the retail is almost closed, so therefore I mean it is little early for us to say that what numbers we would expect we are doing this on week-to-week and month-to-month basis.

Ritesh Gandhi: Let me put this to you in other way in the non-COVID environment, what should we expect normalized quarterly EBITDA to be? Obviously last year and year-and-a-half or may be in two years after the whole imported duty structure or that has all been tricky, but until now given where we are what would be the normalized EBITDA be in your view after COVID ends? Is this on a quarterly basis or annual basis whatever we look at it?

Updeep Singh Chatrath: I would say that we expect to do something better than what we had been doing, so to give you any number at this stage, I am a little hesitant.

Ritesh Gandhi: Got it, is the Q4, the number, which is obviously extremely attractive? Should we be seeing that anomaly?

Updeep Singh Chatrath: Yes, in terms of the pent-up demand because there was a pent-up demand over the last three quarters or the last two quarters, I would say Q1, Q2, the pent-up demand all across world

that was this, that led to this performance of the companies in the latter half of Q3 and the full Q4, so I would say it is a little bit of anomaly, but the company should to permit it not as an exception as a rule.

Ritesh Gandhi: Got it, I have a few additional questions, but I will get back in the queue and ask those, thank you.

Moderator: Thank you. The next question is from the line of Prerna Jhunjhunwala from B&K Securities. Please go ahead.

Prerna Jhunjhunwala: Thank you and congratulations, Sir, on strong set of results after very longtime in the industry. This is really getting back on track kind of a performance. I would just like to understand that despite the strong pent-up demand in the industry and favorable demand supply may driven by export markets and improving demand in the domestic market, why are we still below our normal, so prior to FY2018, we used to be at EBIT margins in the yarn segment of around 10% that was looking sustainable in that period, so what are the challenges on coming back to those margins and when do we see that coming in organically without the support of this new plant that you have commissioned in March. Just trying to understand though industry and your performance in line with that?

Updeep Singh Chatrath: Thank you, Prerna for question and good question. I would say that we expect that we should be on right what you say that the performance before were 2017, I think you said?

Prerna Jhunjhunwala: Before FY2018, you were consistently making around 10% EBIT margin in the yarn segment?

Updeep Singh Chatrath: Yes, I think going forward, looking at we have developed some products in yarn as well, developed in market, and trying to go across the competition, I think we should be able to do that in near to distinct future, we should be able to be there with the help of certain measures, which we are taking and we have been taking in the past as well, I mean the industry this is cyclical industry and it is based typically on man-made fiber because we are predominantly in the polyester spinning, most of our spindleage is for polyester spinning, so it is basically we are looking innovation and the conversion cost, so I think we should be able to do that to reach there or to better base in the future quarters to come or year to come.

Prerna Jhunjhunwala: What will be the triggering factors, actually what I am trying to understand is we had pretty strong demand in the fourth quarter also, I am expecting it at we should reach if at all in fourth quarter if this demand scenario is sustainable then may be this should happen in near

future only if possible and what are the challenges to the same, I am just trying to understand why you are saying one to two year and not in the near term?

Updeep Singh Chatrath: No, I am saying in near term only now the second wave came in, otherwise still, we are hopeful that we will be able to maintain that of the Q4 going forward, but the second wave this I would say I cannot say unexpected, but yes, it has a far reaching impact, so which is going to impact us minus this COVID situation we should be able to do this in near future.

Prerna Jhunjunwala: Beyond this 10% there should be margin accretion even from this Green Fiber Plant that you setup, what kind of margin addition it can do to your normal margin range I want to understand?

Updeep Singh Chatrath: I think we were looking at almost 0.5% to 1% level, Bipeen I am right?

Bipeen Valame: Yes, you are right if you are talking about EBITDA level.

Prerna Jhunjunwala: So, EBIT level it will be around 0.7% that it can add?

Bipeen Valame: Yes.

Prerna Jhunjunwala: Which means, we will be between 10.5% and 11% sustainably maybe when things normalize and things could become better?

Bipeen Valame: Yes, I mean we should be, that is what we expect to do, yes.

Prerna Jhunjunwala: Sir, as you said that the demand in the home textile space is very strong in the US, could you just highlight on your home textile company in the US, how has been its performance and what kind of integration levels we are seeing in the domestic, in the Indian capacity and US front end?

Updeep Singh Chatrath: Very good. Thank you for this question because I did not touch upon this point in my opening remarks, so I thought I will have only in the question and answer session. So, as I said home textile business, which has really gained impetus world over is in bed, bath and hygiene, so our type of business in upholstery, curtain and made-ups is a discretionary spend; however, having said so, we have done better this year as compared to last year in terms of exports especially in US. Thanks to our teams that we created virtual showrooms, there was no travelling and this is some category, which has a long gestation. The first sample we show to our customer is the first view you get is about eight to nine months; however, during this period of lockdowns and pandemic last year, we did everything virtually, we had a virtual showrooms, we created subservice in India where we named as

“Nesterra” where we launched a website Nesterra.com. This is under domestic front. I will first touch upon the exports. Export we did better in US market, but they were opened for fairly longer period of time and we had already done almost over the previous year so that we got business in this year so we had good export and we had new door opening both in US as well as UK and also in Middle East, so our export performance if we look at our numbers of course there is a loss, but still it is less than what we have been doing in the last year. So export we have got traction during this year and going forward with this brand coming in as it cut service ‘Nesterra’ that I think in about three to four quarters we should be doing better in this cut service as well. As far as the domestic market is concerned there had been a lot of challenges during the last year as well and now also when we are facing almost a lockdown situation everywhere no retail is working, so in domestic market we have a challenge, but we are putting all our energies on the exports and we expect to do better in exports in the coming quarters. If you want to know more, we have launched almost 90 new SKUs in furniture manufactures, in US as well and the synergies are American silk mills have really gone up during this pandemic period.

Perna Jhunjhunwala: Understood and Sir, my last question on dyed versus grey yarn that you were mentioning in your opening remarks that Grey yarn continues to remain strong and dyed you are seeing some challenges due to COVID resurgence could you please highlight now what is the margin difference as the category, not to you, but as a category and in your earlier calls you have mentioned that you are not utilizing your capacities for grey yarn, so what is the scenario right now with your company and what are the industry margins in grey versus dyed if you can help there?

Updeep Singh Chatrath: There are couple of things in this; number one, the application of dyed is say in case of better yarn come mainly in the formal way where we are in, so we have to shift to knitting sector that is one. On the cotton, I mean the delivery time of the cotton yarn are much lower than the dyed yarn. For example, in any dyed yarn you need a delivery time of at least 45 to 60 days in India whereas in case of cotton yarn, which is the commodity so the deliveries could be immediate in terms of say 5 to 10 days or whatever because you can store as well because there are no sales in that this is a grey cotton yarn, so the pent-up demand, which has come after the first COVID period is mainly in grey yarn where there was less competition from China and the demand in China was too much so that is why the grey yarn you would have seen the grey yarn companies are showing EBITDA margin of almost 15% plus right, some of them going to 18% or whatever, so in grey it had been there in the last quarter, but in dyed yarn these margins would not be more than say anywhere between if you look EBITDA levels what we have in terms of synthetics could be in the range of 10% to 12% and in case of Melange it could be more.

- Prerna Jhunjhunwala:** The demand from mélange yarn continues to remain firm, in the current scenario?
- Updeep Singh Chatrath:** In current scenario, demand for Melange yarn is good. I would say the only thing is there is a time lag between grey and Melange, so Melange yarn today is okay even when the COVID situation of second wave; however, I mean because this all goes in the brands so once it comes to brand level then there may be some pressure on the demand as well. Today, demand is, stable than what it was in the month of April, so we are not seeing much adverse impact so far, but we do not know anything what happens in the next month, but certainly it is better than synthetic.
- Prerna Jhunjhunwala:** My last question is on you mentioned this grey versus dyed for the cotton yarn is it similar for blended also?
- Updeep Singh Chatrath:** Yes, when I was talking about dyed is blended, polyester, viscose and all that, cotton dyed is mainly Melange.
- Prerna Jhunjhunwala:** That clarifies. Thank you, Sir. I will come back to the question queue if there any further questions. Thank you for detailed answers.
- Moderator:** Thank you. The next question is from the line of Ritesh Poladia from Girik Capital. Please go ahead.
- Ritesh Poladia:** Thanks for the opportunity. Sir, couple of things on macro, have you seen any spinning capacity getting closed down because of this pandemic and demand supply has gone?
- Updeep Singh Chatrath:** I would say in Q1 and Q2, yes of last year, but Q3 and Q4, no. In fact Q3 and Q4, we see impact on the companies, the smaller companies, which were facing this working capital issues they came back in Q4, so we did not see much closure in terms of the spinning capacities. There may be some capacity reduction in the sense that if a mill has 1 lakh spindles they would be running say utilization could be only up to the strength of 70% to 80%, but the closure I do not think that we have seen much closure in the last two quarters, but first two quarters, yes, definitely yes.
- Ritesh Poladia:** So, there are no permanent closures as well?
- Updeep Singh Chatrath:** I do not think so, there is too much. See that happens every year, which goes unnoticed, so this year people were noticing it, so it is coming at the forefront, but I do not think there was too much of permanent closure of spinning mills.

Ritesh Poladia: Sir, on your 93% utilization, it is real great to see this utilization in challenging times, but how would you rate your mix of productions like is it at optimum level like before pandemic or still there is a scope for improvement?

Updeep Singh Chatrath: I would say if you look at 93% to 94% utilization in dyed yarn because in case of grey this could be higher for any grey cotton yarn company this utilization should be in the range of 96% to 97% plus. In dyed it is in the range of 94% to 95% or in certain cases may be 95.5% because there are changeovers, there are smaller lots, so the utilization is impacted by these things, so I would say that there is always scope of improvement, I would not say that there is no scope, there is always scope for a improvement, so we strive to do that.

Ritesh Poladia: Sir, what I mean to ask was, is this very optimum production in a way that whatever high value yarns your are producing, is the demand back on that side or it is still you are doing a low to medium kind of yarn?

Updeep Singh Chatrath: See, in the last quarter, we did have much more value addition than we are having now in this quarter especially this month, so because the year domestic demand is very low now it is almost negligible therefore you have to venture into the territories outside India or you have to take some business, which is little low margin business, so I would say that this quarter is impacted because of this.

Ritesh Poladia: You mean to say April, May, June quarter?

Updeep Singh Chatrath: I hope so, yes.

Ritesh Poladia: The March quarter was optimum according to you?

Updeep Singh Chatrath: Yes, I would say it is not optimum, it was aggressive.

Ritesh Poladia: Fair enough, Sir. Sure, Sir and on your home textile, you said that the company is on one side of a business that is upholstery and bed sheets and all such cases that not in the bath and towel side, do you have any case to have the full range of home textile business or do you want to focus only on this?

Updeep Singh Chatrath: As a strategy we would like to focus on the adjacent categories because for upholstery and drapery, bath is altogether a different category and it is altogether is a different ball game, so we would like to be in home textiles, expand in adjacent categories for example, made-ups, for example, very specialized sheeting not the run of the mill sheeting, no. So these are the adjacent categories we can think of, but as far as bath is concerned I do not think we have immediate plan to do that.

Ritesh Poladia: Sure, Sir, now the American Silk Mill is three years of acquisition is done, how do you rate the acquisition and go forward?

Updeep Singh Chatrath: I would say this will be a very strong case for us going forward because any acquisition you do in the distant territories and with a motive to have a foothold and footprint in those territories I think that purpose has been served well over the three years because this is the legacy company. We took over a brand, which is since I think near to 1896, so we took that company, we have invested in terms of time and money over the last three years and now I think the next couple of years are going to where we are going to take off from this brand and we have a team in place, we have product line in place and above all we have a very high level of synergy between India and American Silk Mills in US in terms of the product development as well.

Ritesh Poladia: Sir, there is a phase of American Silk Mills plus India Home Textile business can have a 500 Crores turnover in the next few years?

Updeep Singh Chatrath: I think it will all depend on the COVID situation, if it persists, it may or may not, but otherwise we are confident in the next few years we will go to that level.

Ritesh Poladia: That is all from my side as of now. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Nitin Agarwal from Shreeya Investments. Please go ahead.

Nitin Agarwal: Good afternoon, Sir. Congratulations on your great set of numbers. Sir, you said that the dyed yarn and the grey yarn, grey yarn manufacturers are showing 14% to 15%, but normally my understanding is that dyed yarn should have a better EBITDA profile, so do you think that the market scenario will change going forward? My point was that you said on the grey yarn people were making 14% to 15% EBITDA whereas in the dyed yarn the EBITDA contribution is less in the present market scenario, do you see this improving going forward?

Updeep Singh Chatrath: Mr. Nitin Agarwal, you are asking the question on dyed yarn and grey yarn on that?

Nitin Agarwal: Yes.

Updeep Singh Chatrath: If we compare like-to-like, the dyed in quarter would be better margin as compared to grey, but when we talk about dyed yarn, we talk of as basket is a synthetic and with the blended yarns, so definitely the blended yarn margin is lower than the dyed cotton yarn or the

Melange yarns, so therefore when we see as EBITDA of a company as a whole this is what we have the differences.

Nitin Agarwal: Do you see the scenario changing going forward or this will remain constant like this?

Updeep Singh Chatrath: To be very honest with you, in the present scenario I do not think because the demand in weaving segment is decreasing so the dyed yarn in case of synthetic I would not say we can make too much improvement, but definitely we can go for the value added yarns which goes in various sectors including the home textiles or the automobiles, so that is one area where we could focus on.

Nitin Agarwal: Sir, second point are you planning to sell your home textiles in US and in India through these platforms like Flipkart, Amazon, etc., or you have no plans as of now because I do not see any mention in your PPT?

Updeep Singh Chatrath: The reason is that as of now we are in the fabric, so the fabric is sold to the convertors or the boilers, now we might think off going for stitch case, which is more prevalent in US rather than in India because there were standard pricing available there, I mean the window sizes are very standard and that to be sold to the e-commerce; however, on that we would like to take place and start with the e-commerce. In India we are doing e-com to the extent of B2B that is retailers ordering on us for the cut service. So that is the only through our own website.

Nitin Agarwal: Thank you and I am done with my questions.

Moderator: Thank you. The next question is from the line of Ethane Boricha from Joindre Capital. Please go ahead.

Ethane Boricha: Good morning, Sir. My first question is on the realization of the yarn, so can you give the realization number per kg in Q4 FY2021 versus last quarter versus last one and I have one more question after that?

Updeep Singh Chatrath: The realization of the yarn average would be in the range of 232 in the last quarter and I think it has improved a little bit from the third quarter.

Ethane Boricha: And what was in Q4 FY2020 last year?

Updeep Singh Chatrath: Last year I think it was in the range 210 if I remember correct, around 220.

Ethane Boricha: 217, right?

Updeep Singh Chatrath: Yes, around that.

Ethane Boricha: My second question is on the capex side, what is the capex we have spent in FY2021 and what is our capex spend for FY2022, Sir?

Bipeen Valame: So, routine capex what we have done is around 50 Crores to 51 Crores in the current year. What we call as a debottlenecking capex and similar capex is planned for the next year. What we consider as 50 Crores to 60 Crores is the routine capex, last year it was 51 Crores, and it may be in the same zone or may be slightly higher.

Ethane Boricha: I would be between 50 Crores to 60 Crores in FY2022?

Bipeen Valame: Yes, correct that is what right now the capex.

Ethane Boricha: Thank you. That is all from my side.

Moderator: Thank you. The next question is from the line of Harish Shiyad an individual investor. Please go ahead.

Harish Shiyad: My question is regarding your Green Fiber Plant, which you have put up recently, I know it is at a nascent stage and the environment is also not good, but during the optimum production in this plant, what is the cost advantage per tonne during this fiber vis-à-vis buying from outside?

Bipeen Valame: I would say that quantify advantage in terms of the cost advantage per kg per tonne it would not be the right thing when you were backward integrate it. See, there are things like in terms of the consistency because this is recycled. This is not something which is fresh, which is blended to raw materials, and made as fiber so the advantage of this backward integration would be right from the raw material stage what type of cottons are we buying and what type of consistency in per kg per ton for our spinning process. So that is one advantage, which will give us advantage in the stitching operations that is when we say that EBITDA level will be half to 1% EBITDA level so that advantage is there number one. Number two, we can develop various different types of fibers in terms of the draper, in terms of the curtains and also in terms of finishes, so in my opinion giving a cost advantage would not be the right thing in case of industry, having been a standalone project then I could tell you what would be the price or the cost of the fiber.

Harish Shiyad: Fair enough. What are the capex on these plants?

Bipeen Valame: I think the capex is around 220 Crores.

- Harish Shiyad:** And what is the rate of return on this investment?
- Bipeen Valame:** So, rate of return when we complete the plant it was around 12% to 13%.
- Harish Shiyad:** So, approximately payback will be five to six years?
- Bipeen Valame:** Slightly more seven years.
- Harish Shiyad:** Any major capex cycle we want to take away in the next future when the normal environment comes in because you know in textiles as I understand the spinning mills always run above 90%, regular maintenance you do with that and achieve maximum 90%, 93%, 95%, so what is the next capex cycle we are planning?
- Updeep Singh Chatrath:** Currently, we do not have any major capex as I mentioned a little while back. We do not have major capex for the project, which is planned. As you rightly said it is always the debottlenecking under routine capex required in the textile industry since we also have 420000 spindles and typically we have planned as I said 50 Crores to 60 Crores for the next year. Now it depends on slightly it may move up or down depending on the situation because it also depend on the delivery timelines of some of the supplies that has got elongated.
- Harish Shiyad:** In terms of this size we have 420000 spindles so how big we are as compared to other peers in India, how big we are in terms of ranking or whatever you can?
- Updeep Singh Chatrath:** I would say in terms of the spindleage if you look at we are at a good level, because the highest level in India would be almost 1.2 million or so, I mean, one or two companies, but at the level of 400000 plus and that to on the dyed and Melange I think we are one of the highest.
- Harish Shiyad:** Fair enough. Thank you very much for responding to me and all the best to whole team and look forward to the better days ahead for all of us. Thank you.
- Moderator:** Thank you. The next question is from the line of Rishabh Makhija an Individual Investor. Please go ahead.
- Rishabh Makhija:** Sir, congratulations on the good set of numbers. Sir, I just have one small followup from one of the earlier participant question about the margin addition from our Green Fiber plant, so if I am not wrong earlier, in earlier quarters we had guided of our margin addition of 1% to 2% over the next one to two years and now that has come down to 0.5% to 1%, so just wanted some colour from you why this guidance has come down?

Updeep Singh Chatrath: Number one because we have to look at what the present situation in the recycled fiber today, so recycled fiber today is almost I would say the most of the cycle as of now, so the only what we are getting today in the plant is, are not giving that much margin today to the spindles because of the various reasons, in the COVID situation when the utilizations are less so your EBITDA is affected, because you have cost that has less production, so that is one reason, as if you look at today this margin is reduced to almost less than 1%. In a steady state this would definitely give us more than that to the extent of 1.5% to 2% as we said in the earlier call.

Rishabh Makhija: Understood, so in the long-term we are still hoping for 1.5% to 2%, I think it was about 1.5% to 1.7%?

Updeep Singh Chatrath: Of course, 1.5%, 1.7%.

Rishabh Makhija: That is it from my side, Sir. Thank you and good luck on the coming years.

Moderator: Thank you. The next question is from the line of Dakshit Jain an individual investor. Please go ahead.

Dakshit Jain: Sir, anything which you are planning to adapt from our competitions like...?

Updeep Singh Chatrath: Sorry, Mr. Jain, the question is we are wanting to?

Dakshit Jain: Learn from more competitors and we want to adapt from any competitors which you are planning?

Updeep Singh Chatrath: Yes, we are always open and we are always very ready to earn and buy good things from anybody, the competitor may be adjacent category they are, so we are always open to that level we would like to do that, there is no harm in that, in fact, we are here to do that.

Dakshit Jain: That is it, Sir. Thank you.

Moderator: Thank you. The next question is from the line of Riddhima Chandak from Roha Asset Managers. Please go ahead.

Riddhima Chandak: Sir, just one question, in our total portfolio how much revenue contribution is from polyester yarn, cotton yarn and what was two to three years back?

Updeep Singh Chatrath: If you look at in terms of the capacity wise we are almost I would say 35% to 38% on the cotton and the rest is on the polyester blended yarn.

Riddhima Chandak: And three years back plays in terms of revenue as of now?

Updeep Singh Chatrath: Three years back?

Riddhima Chandak: I mean what it was earlier?

Updeep Singh Chatrath: The ratio I think it scaled in the year 2017. Earlier it was much more on the blended yarns as compared to cotton yarn.

Riddhima Chandak: Thank you, Sir.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Updeep Singh, President and CEO for closing comments.

Updeep Singh Chatrath: Thank you so much. I would like to thank you all for attending this call and taking time off and I am also thankful to the Board, the Chairman and all my colleagues and the team members and all our esteemed investors for giving us, the management team to perform in these situations of COVID as well. I mean the plants cross across had done exceptionally well to get us to the inclination level of what has been in the past and going forward and we say that we keep it up, also I would like to comment in my remarks that we as a company we are going ahead aggressively on the vaccination program, which give us confidence that we will be able to wave through this COVID situation in the best possible way. We wish all of you safety and healthy period going ahead and thank you very much for taking the time out.

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