

17<sup>th</sup> May, 2024

<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 Sirs / Madam,

**Subject: Transcript of Q4 & FY24 Earnings Conference Call**

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, 2024 which was held on Monday, 13<sup>th</sup> May, 2024. 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> May, 2024, as per the Transcript enclosed incorporates mainly the highlights of financial results upto 31<sup>st</sup> March, 2024, 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.

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

Manoj Contractor  
Company Secretary and Compliance Officer



“Sutlej Textiles and Industries Limited Q4 FY 2024  
Earnings Conference Call”

**May 13, 2024**



**MANAGEMENT: MR. S. K. KHANDELIA – ADVISOR TO EXECUTIVE  
CHAIRMAN, SUTLEJ TEXTILES AND INDUSTRIES LIMITED  
MR. RAJIB MUKHOPADHYAY – WHOLE TIME DIRECTOR  
AND CHIEF FINANCIAL OFFICER, SUTLEJ TEXTILES AND  
INDUSTRIES LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Sutlej Textiles and Industries Limited Q4 and FY'24 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 call, please signal an operator by pressing the “\*”, then “0” on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rajib – Whole Time Director and CFO. Thank you and over to you, sir.

**Rajib Mukhopadhyay:** Thank you. Good afternoon, everyone. And welcome to the Earnings Conference Call of Sutlej Textiles and Industries for the 4th Quarter and full year FY'24. I trust you are all doing well.

With me on the call today is Mr. S.K. Khandelia – Advisor to Chairman, Stellar IR Advisors, our investor relationship team. We have already uploaded the Investor Presentation and I hope everyone has that an opportunity to go through the same.

Let me start the call by giving you the Financial Highlights of the quarter and year gone by, after which Mr. Khandelia ji you will fill you in with the Business Highlights as well as the industry highlights.

For Q4 FY'24, our consolidated total income is at Rs. 665 crores, which was 9% higher than Q3 of FY'24, which was on account of volume increase as well as marginal increase in the realization. Gross profit stood at Rs. 269 crores, which was sequentially higher by 13%. Gross margin for the quarter stood at 40.4%, which is higher by 167 bps on quarter-on-quarter basis. EBITDA for the quarter was Rs. 13 crores as against Rs. (-1) crore in Q3 of FY'24.

For FY'24, our consolidated total income stood at Rs. 2,727 crores. Gross margin came in at 37%. EBITDA stood at minus 13 crores. And PAT came at Rs. (-136) crores.

As we have been updating you, our efforts at strengthening our balance sheet still continues. During the year, we have reduced our debt by Rs. 111 crores to Rs. 821 crores, as against Rs. 932 crores as on 31st March 2023.

Our current debt-to-equity ratio continues to stay below 1, and it's currently standing at 0.85.

Central Banks are closely monitoring the inflation rates to ensure that they remain within target ranges, conducive to economic growth and stability. As we all know, the situation is slowly improving on the export front. And as the rates are stable, sentiments are improving slightly, we can anticipate a marginal uptick in the coming quarters.

Those were my opening remarks. I now request Mr. Khandelia ji to please take it forward with the Business and Industry Updates.

**S. K. Khandelia:** Good afternoon, everyone. Thank you, Rajib, and thank you all for joining us today on this Conference Call.

I would like to repeat the comments of our Executive Chairman – Mr. Nopany, in the Press Release on our results, which summarizes the position.

The global economy remains subdued in the face of geopolitical turmoil in different regions of the world. Consumer spending continues to be need-based due to supply chain disruptions, price volatility and an uncertain outlook. The Indian textile industry, particularly the spinning sector, has been severely impacted as it depends largely on exports. And due to lack of exports, there was a dearth in the domestic market as well, and that resulted in reduction in capacity utilization and pressure on the margins.

While the Indian growth story continues to gather momentum with a positive impact of government policies, we do see improvement in recent months in market sentiment. And we are hopeful of a turnaround in coming quarters gradually. At Sutlej, we are well equipped to weather this storm and we have been focusing on improving our operating efficiencies and developing new products, while diving deeper into our existing markets. These initiatives will help us improve our performance during FY'24-25.

I would like to add two things: Our strategic investment in the green fiber unit, and that is operating at full capacity, will help us in producing sustainable products and for which the demand is continuously increasing in the world market as well as in the domestic market by the garment exporters.

Similarly, our home textile business, Nesterra, which is an initial brand, and on which we are focusing now, is seeing better offtake. As of now we have 36 collections in the market and about 900 retailers are attached with us. And we hope that during this year, this business of home textile or cut service, and other our export is also doing well in home textiles, that should pick up this year and that should help us.

In yarn business also since last two months we are seeing some improvement in margins as the destocking by the retailers, to a large extent, appears to have happened and now the fresh demand should start coming on. And accordingly, we hope that in FY'25 we should see the gradual improvement in margins quarter after quarter. And we hope to have better Financial Year FY'25. And we are cautiously optimistic for FY'25.

Thank you. And now we can take the questions.

**Moderator:** Thank you very much. The first question is from the line of Amit Aggarwal from Leeway Investments. Please go ahead.

**Amit Aggarwal:** My question is regarding the expansion plans. Sir, two years back we came out with a very exciting expansion plan. But within two years when the market turned down, so we have surrendered our

land and it has cost us Rs. 8 crores. Sir, what was the need of surrendering the land? We could have always waited for the markets to improve and continue with that expansion plan. Because once the markets turn around, then we again have to spend the money on the land. What is the take on this?

**S. K. Khandelia:**

There is a time limit by which you can surrender the land. As of now we have paid only 20% piece of the surrender of the land. Had we not surrendered the land and had we not put up the project, which was not coming up, due to great market condition, the entire money paid would have been forfeited. So, the government has said that if you don't want to go ahead with the project right now, it is better that you surrender the land, otherwise the entire amount will be forfeited. And you can reapply. So, we can always look for that land and we can always go ahead with that.

So, that is the reason we have surrendered the land and we are always believing that we will definitely put up this project or some other project and we are committed to the exports of the company. But as the market conditions are so bad, and at this point of time visibility is very poor, so it was thought better, and it appears to be a very wise decision to surrender the land and strengthen the existing business first. And then we can always go ahead as we have been doing in the past. Thank you.

**Amit Aggarwal:**

Sir, I just couldn't understand how much was the land costing, couldn't we had paid the whole amount and then we waited for six months or one year to market to improve?

**S. K. Khandelia:**

We were required to complete the project in the designated time. Even if the market would have improved in six months' time (which may or may not improve) but the project execution takes at least one year to two years. So, that would not have been possible. And there was every possibility that the entire amount will be forfeited. So, it was about Rs. 40 crores, so it was better that we surrendered the land. And land is available, we can always go and take it back. And it's worth considering the interest also, so by the amount which we have lost by the surrender of the land will be covered by the interest itself.

**Amit Aggarwal:**

And how easy is it to apply for the land again and continue with the expansion plan six months down the line or one year down the line, how easy it is to apply the land?

**S. K. Khandelia:**

We can always do that. That option is always available with us and we can always review the project. Not necessary that we go for the same project, there are many new product lines are coming up. We can review the market and other things. Not necessary that we go for yarn, we can go for some other things related to textiles, downstream or something like that (like technical textiles or anything) So, those options are open, and we are committed for growth.

**Amit Aggarwal:**

And my second question is regarding the pet project, three or four years back when we came up with the project, it was told to us that it will help in improving the margins. But if you compare with all the other big yarn companies, I think we are still working, our margins are still lower than those yarn companies, in spite of that we are running a pet project along with it. What could be the reason?

**S. K. Khandelia:** You are not comparing our results with the standalone spinning mills. We have only a small portion of home textiles. The result to which you are comparing have a lot of integration by way of fabrics, which we don't have. So, that's why I said that we are really reassessing in which line we need to go further, instead of investing money only on yarn. So, you are comparing with those companies which have around 30-50% of the fabric capacity they are integrated in textiles or something. If you will compare with the standalone then I think there will not be much difference.

Secondly, we have been on the value-added segment of dyed yarns. Most of our capacity was used for different types of dyed yarns, including cotton and cotton blended mélange yarn, which used to be specialty. In this downturn, maximum impact was on such type of yarns, because this was an unprecedented market scenario in which only commodity goods were selling. But gradually it is coming up and then again we will have the same strength. And of course, we are looking for other projects also in non-apparel segment. So, those things are going too. That's why I said that we are consolidating everything. So, first of all we have to see that our margins goes above others in the standalone spinning and then we will look for other projects also.

**Amit Aggarwal:** Sir, you just mentioned about that we might go for expansion in some other segments, is it regarding some big segment or you are thinking something else now?

**S K Khandelia:** It can be different, not necessary. We are exploring various opportunities but definitely relating to textile. It may be technical textile or specialty products or it may be something relating to textile, but not necessarily yarn or fabric which is already in a glut. It may be non-apparel. Basically it can be non-apparel, because in apparel every time different challenges are coming. So, we are evaluating like sportswear where we can go, some new type of lines we can go. We are exploring all these opportunities. Once the visibility is clear we will look into that.

**Amit Aggarwal:** And my question is regarding home textile segment also, so do you think that we will continue seeing the percentage of textile business expanding in our overall business?

**S K Khandelia:** We hope so. Let us see how it works. We hope that it should improve.

**Amit Aggarwal:** And sir, cotton prices just moved up in last three four months, does it help in improving the margins in the business right now or no?

**S. K. Khandelia:** Margins have improved a little bit, but still it depends upon, say, if you will compare with the new units which have settled in last four or five years with the fully automated plant and other thing where the interest cost is a little more, but the productivity and quality is much better than the machines which we have for the dyed yarns and other things. So, there has been improvement in cotton yarn margin, but still, it is not out of the woods. Because cotton rates have unexpectedly come down, from 101 cents to 75 cents. Similarly in India from Rs. 62,000 S-6 it has come down to Rs. 55,000, Rs. 56,000, something like that. So, it was unexpected. So, in cotton market, when the rates go down, demand stops, margin goes down. So, that is the reason. But there has been improvement in cotton yarn margins, but still it is not out of the woods.

- Amit Aggarwal:** And my last question is regarding the spinning units. How much of our spinning unit is very modern and what percentage of our spindles are a bit old?
- S. K. Khandelia:** None of our spindles are more than 15 years old. Our capacities are designed for the dyed and specialty yarns. In grey yarn, the production facilities are a little different. Specialty products automation is different.
- Moderator:** Thank you. The next question is from the line of Varun Gajaria from Boring Asset Management. Please go ahead.
- Varun Gajaria:** Just wanted to understand, so considering the cycle is kind of starting to derive from your commentary and industry commentary, do we have any plans to undertake additional CAPEX? You must have seen some of your incumbents have already announced undertaking CAPEX, so do you have any plans to do that right now?
- S. K. Khandelia:** Yes, we have the CAPEX plan for this year for Rs. 100 crores, because we always keep on modernizing our plant and we never let our plants to get outdated. Say, for example, there are many things, there are new type of fabrics and other things even in for yarn, like lycra for example. So, this type of demand is coming up. Whatever additions are required, we always try to keep our capacity fully modernized. So, this year we have the CAPEX plan of Rs. 100 crores.
- Varun Gajaria:** So, with these brownfield projects, how much capacity would you be able to add?
- S. K. Khandelia:** We have not yet decided to add any downstream capacity. We are saying that Rs. 100 crores CAPEX is to take care of our existing facilities where we will have value addition. And also, wherever any new products for home textile or any wherever we have to add certain machines to produce those type of things. Because we always believe in keeping our plants fully modernized.
- Varun Gajaria:** And now that the market has started to revive, do you think you will be back on profitable days starting next quarter, or next to next quarter for that matter?
- S. K. Khandelia:** You have seen our quarter two, quarter three, quarter 4. You must have noticed there is improvement quarter after quarter. And we expect that this to continue, though it will be slow and gradual because the visibility is still not there, geopolitical tensions are there, Red Sea crisis are going on. But we still feel that quarter after quarter there will be gradual recovery and margins will be better in FY'25, and even compared to Quarter 4.
- Varun Gajaria:** FY'25 should be a relatively profitable quarter versus your '24, if I am not wrong?
- S. K. Khandelia:** Yes, quarter after quarter we expect gradual recovery, and margins will be better. This is what we expect at this point of time, though visibility is very poor due to uncertainties still continuing, geopolitical and other reasons, but definitely there is some improvement.
- Varun Gajaria:** And how are things in the domestic market at this point with preference for demand?

**S. K. Khandelia:** Whenever the demand in export market is down, whether the yarn or fabrics or apparel, ultimately it impacts the yarn. So, there is very gradual pickup in export demand. And whenever it is not there, there is pressure on the domestic market. And due to that the domestic market comes under the pressure, irrespective of the same level of demand. So, the domestic demand should also start up. Because as of now, in India, elections are going on, the workers have gone to their houses for the casting their vote. So, I think after 15<sup>th</sup> June the markets will start improving and demand will also improve, and margins will also improve.

**Varun Gajaria:** And in the home textile segment, what is the capacity utilization right now at the end?

**S. K. Khandelia:** Capacity of home textile maybe about 50% because we are focusing more on the value added, not on the capacity. So, gradually our exports are increasing on home textile. We are increasing our Nesterra products. So, at the moment it is about 50%. But the rest of the capacity utilized at 20%-25% for the job work where we only cover the overheads. But gradually our capacity will start increasing. And this year, I think there should be good improvement in home textiles.

**Varun Gajaria:** Versus other participants in the industry, almost all of them are running at around 75% to 80% capacity utilization, so how are we looking at the capacity utilization this year?

**S. K. Khandelia:** In home textile, the capacity utilization should be about 65%.

**Moderator:** Thank you. The next question is from the line of Akshay Gapani from Green Portfolio. Please go ahead.

**Akshay Gapani:** Sir, I have two questions. One was, you were saying about Red Sea issue, and how much is impacting the current operations of the business? And second one is that we are seeing the positive performance from the home textile segment, so currently can you share like which is the country to which we are having the most exports? And are we also expanding the geographical markets more into the home textile segment?

**S. K. Khandelia:** Yes, you first asked about the impact of the Red Sea. There are two things happening. Number one, the ships are taking more time because they have to go through different route and the ocean freights have also increased. So, there is impact on the demand. Whatever demand was there, it is gradually improving, but the cost is increasing. So, some portion of the cost is borne by the buyer and some portion has to be borne by us in the commodity goods. In value added goods we are able to pass on the increased cost to the buyer. And ultimately this is impacting. Transit time is longer, freight costs are higher, and this is the position of the Red Sea. Secondly we are talking about the exports. Our major exports of home textiles to developed countries like USA, and earlier it used to be Middle East, but that is low cost, low profit country. So, we are diverting our geography, now we are penetrating in European countries also. So, that way we are targeting more of the developed countries where the value addition and realizations will be better.

**Moderator:** Thank you. The next question is from the line of Tanay Shah from Stellar Asset Management. Please go ahead.

- Tanay Shah:** My question was regarding cotton yarn. Sir, so what would be the cotton yarns spread for this quarter?
- S. K. Khandelia:** We are manufacturing very little quantity of grey cotton yarn, and we are mainly manufacturing the dyed cotton yarns where the spread depends upon set to set and count to count. If you talk about normal grey cotton yarns, the exact spread I may not be able to tell you, but that is just covering the cost.
- Tanay Shah:** Sir, and what is the capacity utilization you are targeting for FY'25-'26? Can you expect a better number in the next quarters?
- S. K. Khandelia:** As far as spinning is concerned, it is already operating at about full capacity. Sometimes if the demand for one particular product is little less, there may be 2-3% less utilization in terms of capacity. So, 95% is always being used as of now. So, we expect that range more or less for the quarter, (in this quarter there may be some labor shortage and other things because of the elections). But our capacity utilization is almost full at this point of time.
- Moderator:** Thank you. As there are no further questions, I would like to hand the conference over to Mr. S.K. Khandelia for closing comments.
- S. K. Khandelia:** Thank you all very much for your active participation. And as a closing remark, I would like to say that we are fully geared up to weather the storm, which is presently being faced by the spinning industry, but it is getting away. And we are cautiously optimistic for this year. And we definitely feel, it appears to us, that this year a gradual improvement will be there, and we will see better results going forward. Thank you.
- Moderator:** On behalf of Sutlej Textiles and Industries Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines. Thank you.