

24th November, 2020

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
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Dear Sir / Madam,

Subject: Transcript of quarter and half year ended 30th September, 2020 earnings conference call held on 11th November, 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 half year ended 30th September, 2020 which was held on Wednesday, 11th November, 2020. The same is also available on the website of the Company i.e., www.sutlejtextiles.com.

The conference call held on 11th November, 2020, as per the Transcript enclosed incorporates mainly the highlights of financial results upto 30th September, 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 Q2 FY-21 Earnings Conference Call”

November 11, 2020



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

Moderator: Good day ladies and gentlemen, and a very warm welcome to the Q2 FY21 Earnings Conference Call of Sutlej Textiles and Industries Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal and operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I’m not glad to hand the conference over to Mr. Bipeen Valame, Wholetime Director & CFO of Sutlej Textiles and Industries Limited. Thank you and over to you sir.

Bipeen Valame: Thank you all and good morning to everyone. I would like to wish all of you are very Happy Diwali and prosperous and healthy the New Year. I welcome you all to the Earnings Conference Call of Sutlej Textiles and Industries Limited for quarter ended on 30th of September 2020. I have with me, Shri S K Khandelia, President & CEO; Shri Updeep Singh, Deputy CEO and Stellar IR Advisors, our Investor Relations Team. The result presentation has been uploaded on the exchange and I hope everyone had an opportunity to go through it. I will take you through the financial performance and some highlights followed by Industry Insight by Shri Khandelia and Shri Updeep Singh. As you all are aware that it has been testing times for the global economy, including India due to outbreak of COVID-19. However, I am happy to inform you that despite the challenging times, we have done quite well to sail through such challenging time which is reflected in our quarterly performance. It will take some time to get back to normal. But we think worst is behind us and we should see quarter-on-quarter improvement going forward. We continued to focus on improving internal cost efficiencies and cost optimization and the company has taken a lot of effective steps in this direction during the quarter.

During the quarter ended September 20 the company reported consolidated total income of Rs.473 crore against Rs.644 crore Q2 FY20 and Rs.197 in Q1 FY21. The capacity utilization stood at around 68% on an average for our yarn business in Q2 FY21 as against 43% in Q1 FY21. As we speak, the capacity utilization rates are further gone up and we expect to have a higher utilization going forward. EBITDA during the quarter was Rs.25 crore as against Rs.62 crore in Q2 FY21 and EBITDA loss of Rs.23 crore in Q1 FY21. As far as borrowing is concerned despite COVID-19 pandemic situation since March 20, we reduced the total debt by Rs.65 crore in first half H1 FY21 with better working capital management and we did not have any of the moratorium or any other benefits given the RBI. Currently total consolidated debt is Rs.806 crore, we also have sufficient liquidity with unutilized working capital limits since we have utilization in the range of 60% of our sanction limits or lower than that.

I would like to take a minute and highlight our focus on debt reduction over the past 18 months, our total debt has reduced by almost Rs.114 crore from Rs.920 crore to Rs.806 crore. This is mainly, due to our focus on working capital optimization and better utilization. The debt to equity ratio has been very comfortable at 0.88x which is lowest in last five to six years. During this challenging time we continue to monitor and ensure there is a sufficient liquidity and we are able to meet all our obligation as we witnessed revival in demand. And just to highlight before I hand it over to Shri Khandelia that we started our 30 metric tonne line for green fiber project recently in the month of October and we are working on commissioning on the trial run

production for 90 metric tonne going forward and we expect to happen it in Q3 FY21. That's all from my side, now I would request Shri Khandelia to share business outlook and industry scenario and then we can open the floor for a question and answer session. Thank you and over to you Khandelia ji

S K Khandelia:

Thank you Bipeen. Very good afternoon to everyone. I would like to extend my warmest greetings of Deepawali to everyone. I thank you everyone for joining us for this conference call. I would like to start with the statement of my Chairman, Shri C. S. Nopany, given in the press release which summarizes the position. Gradual climbing back of economy out of depths to which it had plummeted is reflected on our quarterly performance also. A steady contraction of active COVID-19 cases and a low fatality rate instills measured optimism that worst is behind us, I repeat worst is behind us. While, we are geared to scale back to pre-COVID levels on the back of our financial, operational, marketing strength, uncertainty continues till confidence is fully restored amongst society and economy. Now, I would like to tell something further, this pandemic has been a severe stress test for most of the industries and businesses across block and more importantly, for textile and clothing industry as it comes under discretionary purchase category. I'm happy to share with you that supply has been able to handle this stress at a much ease due to its inherent strength in terms of financial, operational, marketing, organizational quick adoption of new technologies and personal, new normal ways of doing business like digitalization, virtual meetings and marketing. To take benefit of emerging opportunities like China plus One, many businesses are shifting from China to other countries, as they want second supplier also and section is being noticed in western world.

We believe that all those who will survive after this pandemic will have great opportunities going forward. And we believe their surplus will be among them. Now, turning to our performance in Q2, I'm happy to say that this turned out to be much better than what we expected earlier. And what I was expecting at the time of last conference call in August beginning. We are seeing continuous improvement in our capacity utilization, both in spinning and home textiles. In spinning presently we are able to utilize about 90% of our installed capacity and we hope to achieve 100% capacity utilization before end of this year. And in home textiles also capacity utilization is continuously going up. We are in curtains and upholstery segment and that is very, very discretionary segment. I'm also happy to share with you that despite not having any Chinese engineer on site and as requirement of 25-30 engineers for commissioning related activities, we could start on our own 30 tonnes line in October end, which was supposed to be impossible by all those to whom we have been talking. This line is presently under stabilization and fine tuning, another 90 tonne line is also likely to be commissioned sometime in last week of November or in first week of December, and this shows the agility of the organization to handle the severe challenges and crisis like this. We have also been able to continuously develop design and marketing synergy with our step down subsidy that is American Silk Mills and the benefit of which will be visible going forward. Now coming to the general business scenario, that looks quite positive at this point of time though uncertainty continues. One of the major segments where we were also present apart from many other sectors we are there in textile and the yarn or on texture. In the yarn formal wear was one of our important category that was not at all moving,

whether it is formal wear whether it is uniform Bhilwara, Bombay, this used to be main market and where we had put presence in, particularly in this value added by yarns. Now that has started moving since last one month, and we could get the old material delivered and have also started getting new booking that is a very, very positive sign going forward.

Another thing is that the people have learned to live with this COVID-19 though there is a second wave somewhere in European countries and other, but they are well, people are more geared and countries are well placed to handle the crisis. And then there is again, the good news about the vaccine that in one American company, perhaps Pfizer, if I remember correctly, has been successful. And we are seeing the Euphoria worldwide, that this vaccine news is the bigger news than any other news these days. So, these are the positive signs and we are positive and of course, the challenges are not going to finish overnight, but we hope that by the end of FY 21-22 or sometime even before say September 2021-22 we should be able to achieve pre COVID level. So those are the very positive signs, we never expected that things are going to be at this stage so better, actually we were looking for that, we were prepared to handle 20-21 as well 21-22 heavy losses and we were fully geared to handle that.

So, this is what the things are looking much better in marketing front also, as so far in our case. So, it is very easy to run the 100 capacity on grey commodity yarn, but we don't want to dilute our way of working and our embayed and our positioning in the market. We are in the niche dyed yarn segments whether it is synthetic, whether it is cotton and cotton blended whether it is Mélange or anything. So, even having running those type of businesses, those type of market positioning we have been able to sell only, whatever we could produce and we have not been producing any unsold goods since the lockdown was lifted and still we are not manufacturing any unsold goods, little bit here and there that is something else. And we are seeing good repeat orders for our value added yarn, because we are not only in apparel, we are in various types of yarn, whether it is industrial application yarn, whether it is automotive yarn, whether it is home textile yarn, whether it is for some sort of medical applications, wherever they sell yarn, whether synthetic, blended or natural whatever it is. So, in all type of specialty yarns we are there, we are continuously developing new type of yarn. As mentioned last time, we have already launched our sustainable products category in the yarn, two years back even and now, we are one of the leading supplier from India of sustainable yarn, that is in organic cotton, whether it is recycled cotton, whether it is recycled polyester, staple fiber, whatever it is and we have lot of certifications for that. So, there is those are the things we have always been moving ahead of the competition in grabbing the opportunity and we are not following what we have been doing in the past, we always see the new way of doing businesses and this is the new normal with the organization, this is the strength of the organization. So, this is about the marketing still it is looking better now, but the situation continues to be uncertain and nobody knows till the vaccine is of course, it is finally approved, produced and administered to the people, but since the people are moving around and everything, footfall is there in malls and retails, marketing is going on. So, this is one thing, on the raw material fronts cotton is important, raw material for us and synthetic as well that is more important for us because our major consumption is of synthetic type, of various type of synthetic indigenization and imported as well and cotton is also

important. So, cotton prices are practically range bound, because there is ample cotton in India as well as in the world. So, that's not a big issue right now for us and in any case, since we are in the value added yarn, we are able to pass on if any increase or anything is there to a large extent depending upon the market situation. Of course it was very bad situation in the past but the cotton yarns rates have been going up when the market gets little started up for the cotton, in case of synthetic. The synthetic rates were down, very much down earlier but now that has started improving to little bit, because there is some activity has started. So, that is also not a big challenge temporarily, it takes a little time to get adjusted because everybody wants to sell the material and it takes little time to get adjusted. So that is not the issue for us. So that way the on the raw material front also we are comfortable, we have been able to get the required quantity of labor required people, by our say more than 125%, which we used, and now we have labor for full working in our mills. And on the other side also, we don't have any problem and on the demand side also, we also don't see any problems. So, these are the main things which were impacting, but of course, since the retail and other things have normal business, the consumer behavior has little changed, we are fully understanding that, we are monitoring that and we are making required changes in our product mix to handle the new requirement of the customers say work from home is going stay here maybe in lesser degree, but it is going to stay. Things are going to change. So we are fully geared to sustainable products, we are getting higher traction of sustainable product, realization would also be better, so we are continuously developing those type of products. So that is what I have to say about the business. And now I will request my colleague Updeep Singh, who is also the Deputy CEO of the company to give little more insight about our home textile and fiber business. Updeep Singh please.

Updeep Singh Chatrath: Thank you very much. So, as Shri Khandelia ji has said that, during this quarter, Q2 FY21 the company has shown good performance over the Q1 FY21, so the first quarter was bad so in home textiles and then fiber during this quarter we could start our part of the fiber plant this 30 tonne line and which is under now stabilization which normally takes a month about for stabilization. But, we should be able to do it much faster than that and compliment to the team that in spite of the fact that we could not get physical support from the manufacturing engineers on site for implementation of the plant. We could have their guidance online and we could start this plant, the balance of the 90 tonnes of this line that is expected to start in first week of December or end of November which will take about a month's time to stabilize that. So that is underway and we are hopeful to do it within the stipulated time. As regards the home textile, home textiles have seen a better visibility in terms of export orders. And we have seen a better traction in export orders using this quarter and it's almost the double of the first quarter in case of exports, and especially in the countries like US and the UK. So we have seen good business in US and UK over the first quarter and we are able to strengthen our presence there and make our presence felt in those territories during this quarter. And going forward, this will be our main focus areas in terms of exports.

Domestic market in home textiles have been little sluggish because of this uncertainty and the fear factor in terms of certain markets which did not open fully as for this sort of a category for curtains and upholstery. But going forward in next two quarters we do feel that there will be a

lot of improvement over this quarter in this segment as well. This being a discretionary area of spend, this will take some time from the pre COVID levels. But, I'm very hopeful that in next couple of quarters will be able to improve considerably on the domestic front as well like exports. In the meantime, we are preparing ourselves to go to market with our B2B brand, which we shall be launching by end of December. So which will give us a more value addition in terms of our products in the market. So this is all we have done, the new products with the sustainable collections in the last one quarter and this has given us new traction. The repeat business of home textile has gone up from about say 40% to about 60% down. So, once there is a repeat revenue there is a stability in the performance of home textile. Thank you.

Moderator: Thank you. So sir shall we begin with the Q&A session?

Updeep Singh Chatrath: Sure.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. First question is from the line of Kiran Naik from Mody Fincap. Please go ahead.

Kiran Naik: Sir my question is, what is our market share in a segment which we deal into?

S K Khandelia: So far, we are mainly so if you take dyed yarns, in dyed yarns we should be having about 15% share in India and similar maybe in the outside India, in case of Mélange yarns, in Mélange yarns and cotton and cotton blended dyed yarns, in India, our share maybe about 20%+, In the international market I may not be able tell you right now but we have been increasing our share there also. So about total of our production we are exporting in case of cotton and cotton blended Mélange yarn, about 40% to 50% of our production is exported there. And overall our exports are from 30% to 35% of all the materials which we are producing.

Kiran Naik: Okay, so are be competing with Bangladesh?

S K Khandelia: No, we are not in garments, Bangladesh in mainly in garments, Bangladesh doesn't produce any yarn. So for home textile is also concerned, we don't have competition with Bangladesh.

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

Prerna Jhunjhunwala: Sir, just wanted to understand what is the different scenarios that are being faced by you in blended yarn as well when compared to cotton, because when we are talking to cotton yarn players, they are almost running at 100% utilization currently, and even in Q2, most of them ran at +90% kind of utilization. So, what are the challenges we are facing and how we are overcoming the same?

S K Khandelia: Yes. As, I myself mentioned in my opening remarks, it is easy, you could have also run that, but there is a specific setup of the plants like that. And in our Mélange category, we could have done

100%, but that dilutes our image we don't want to compete with them that is purely a commodity type of yarn, grey cotton yarn is a pure commodity yarn and anybody can do that. So we did not want to dilute our image. Secondly, our margins if you will compare the margins gross margins, you see there are many expenses so many thing. If you compare the gross margins that are much, much higher than the grey cotton yarn. We have some grey cotton yarn but still we have always been trying to move to that portion also, through the dyed yarn, the margins are much better, for the temporary up and down we can't change our business and that is temporary. Secondly, the availability of workers which were there in grey cotton yarn level of optimization is much, much in the grey cotton yarn which is not possible in dyed yarn because you have to run 100 of shades at a time, and then every order is different. So you cannot hope that type, we have the full optimization wherever it is possible across based on the international levels. So we have international level optimization so far dyed yarns is concerned but it is much less as compared to grey cotton yarn so that's why you require lot of labor. So, availability of labor was not that high, say in grey cotton yarn you can run 50,000 spindles with 50-60 labor. Whereas, if you have run 50,000 on dyed yarn to run 500 labor. So, those type of challenges were there. So, we did not want to move to that. Thank you.

Prerna Jhunjhunwala: Okay. And sir with respect to raw material scenario in the blended, cotton we are aware but in terms of polyester and viscose, how are the prices moving, what is your expectation for these because they have been very volatile at least the prime commodity like crude oil has been very volatile over the last six months. So, how are you dealing with it and how is the pricing moving for you and how it is going to impact your profitability going forward?

S K Khandelia: Prices of each and every commodity though it has relation with the crude depend the price of that particular raw material, so even if the raw material if you talk about polyester which is the most common synthetic raw material. So, China is the biggest supplier in the world, the price is determine the demand and supply position of China and they have the huge stocks, they have the huge stocks of that already and that the huge capacity and still the worldwide capacities are underutilized. So prices are, there may be little plus and minus always depending on the activity level has gone up recently some increase has been there but those type of increases and a little bit it is going to be range bound there cannot be any measure increase in the raw material. In case it happens suppose there it takes a lot of time from transformation from crude oil to ultimate product it's a very long, long chain. Say polyester raw material doesn't impact immediately, of course a little bit sentimental effect may be there. And so that is, and secondly since we're in value added products, by any increase or decrease we are able to pass on to large extent any increase so comparatively positioned to pass on that easily because competition is much higher, production is much higher but in dye. That's why I said that we don't want to get into pure commodity products, we want to remain where we can have those type of leverages. So in case of synthetic so far outlook is concerned, it is going to remain range bound whether it is polyester or whether it is viscose because China is the biggest factor.

Prerna Jhunjhunwala: okay. And if we want to understand the pickup in the domestic segment that you mentioned, which categories are seeing good traction in the domestic market?

S K Khandelia: You see, I say the suiting segment when I say suiting it may be for the trouser, it may be for readymade trouser it may be for the readymade blazer something like that. So that I'm talking about, that is being manufactured.

Prerna Jhunjhunwala: Sir your voice cracked, I couldn't hear suiting segment is seeing good traction and later?

S K Khandelia: The presence in Bhilwara say Turkey is our big market they will supply.

Prerna Jhunjhunwala: Sir I am so sorry; your voice was not audible in between.

S K Khandelia: Okay, I repeat it. So when I when I take the particular segment which was not moving earlier and which has just started moving now is the formal wear and when I say formal wear it's suiting yarns and then of course some special shirting yarn but mainly suiting yarns. So, our client is Siyaram, Dornier, Raymonds, Gwalior wear and then many clients, the large clients in Bhilwara similarly in export, our major exports for such type of yarn is Turkey. So, those type of products were not moving because everybody was working from home and there was very little visibility of moving such type of yarns during that period. So since we have the flexibility to move to other yarns we move to the winter quality yarns. So, now that segment has started moving, there has been good demand, operation of these companies have, because retail sales have started, malls have opened and in the international market though it is not the pre COVID level still, neither prices nor the demand, but since we have our internal marketing strengthen whenever the demand comes we get the first preference, whether it is international market or domestic market because of our established business, our product development, our competitive price, timely delivery, dependability because of all these things, when it started, we could book our orders and you are book for this segment up to 15 December. So, this is another segment it is the uniform school uniforms and another uniform that is still not moving. So that is still to move because some schools have not yet opened anywhere, little bit in somewhere in foreign countries and here and there but that segment is still to start, so that is the sector which I said that formal wear has started moving to some extent.

Prerna Jhunjhunwala: Okay. And sir what would be the margin differential between Mélange yarn and a blended yarn or is it similar for you?

S K Khandelia: No, which Mélange you say, if I talk of the cotton and cotton blended Mélange yarn and the grey cotton yarn, if you talk that, that is the normal difference which we normally take, so normally the margins have been higher in cotton and cotton blended Mélange yarn ultimately after taking into account all the expenses, and everything but higher by normally by 5%, cotton and cotton blended Mélange yarn. But as of now, because again it goes to the garment and value added garments. So, now the demand of garments is of that pure commodity type, commodity type most essential garments. So, the demand of Mélange has not been that good, because it goes for a specialty garment whether it is for the export of yarn to Bangladesh, Sri Lanka, Vietnam, also is new country where we are exporting South Korea, is a new country where we have started. So the demand of those type yarn is still not coming to the full level and demand is for the grey

cotton yarn which has dyed as a piece dyed. So that is still to book fully, but in the normal cost from the grey to Mélange yarn, dyed margins are always better normally while on an average by 5%.

Prerna Jhunjunwala: Okay. And sir Tirupur market is one of the major markets where you?

S K Khandelia: Yes, we are present there, Sai is our big client but you see they started operations much later, because garment demand was not there, because our yarn which we are selling most of our yarn, even in domestic market to garment exporters not for very ordinary, it's order based production, we have the huge development center. So, it is all order is different. So, they started very late because they got the very little orders from their overseas buyer. So, that segment is still that has started moving, we have seen good traction, but still it is not that big because now the people are even if one has money, they are little bit susceptible of spending it because uncertainty is still there, but a lot of improvement is taking place and the improvement is better than what we expected.

Prerna Jhunjunwala: Okay. And my last question is on green fibers and virgin fiber difference because of lower crude oil price, what we heard from our channel check is that there is no major difference right now in fact virgin fiber is cheaper than green fibers. So, could you just help us understand what is the current scenario and going forward?

S K Khandelia: You see, earlier there used to be green fiber, which you call actually it is not green fiber, it is the normal recycle polyester staple fiber, when you say that green fiber it has to have certification, it has to have green processes. So, that is actually the green fiber and after this pandemic, there has been much higher enhanced, the realization in the world is still it is to catch up in India, across the world people want sustainable products, they are ready to pay a higher price for that, even the virgin fiber is cheaper in international market and branded green fiber is costlier, green fiber garment, garment made out of green fiber is much costlier than the virgin fiber, because people want sustainability. So, far earlier now here in India because you see that because of pandemic and other things, bottle collections were less and temporary the prices were increased. So that is going on more or less, it is same as of now high tenacity virgin fiber, high re-tenacity recycle green fiber is more or less same at this point of time but still demand is there.

Prerna Jhunjunwala: And profitability sir?

S K Khandelia: Profitability we are not looking normally when the bottle collections and other things will start in India. The price of this recycle fiber is likely to go down again to the normal levels and in exports that will fetch premium, going forward not immediately as the economy starts opening up, festivals have started, people have started moving to market, bottle consumption. So, once the bottle picking starts the bottle prices will go down, recycled polyester staple fiber rates will go down and there will be usual gap between virgin fiber and this fiber may not be exactly the same but it still will come down.

Moderator: Thank you. The next question is from the line of Sunil Jain from Nirmal Bang. Please go ahead.

Sunil Jain: Sir, you said that you had already reached to 90% of your capacity utilization, no doubt that is very good, but in that the product mix and all are similar to pre COVID or still we are going for the commoditized product and may have some lower margin as compared to pre COVID level.

S K Khandelia: No, you see margins are definitely much lower than the pre COVID level, simple reason is the traction of the realization is not that much but the 90% I said we have already started running now 90% and 100% we will be achieving by December end. So, the product mix had to be changed a little bit but we were there already. Formal wear were not moving so we increased our production of the polyester winter quality yarns where we were already there. We could utilize some of the idle capacity of patent finishing machines which were idle available there because we were not running all the ring spindles, when we say a 90% capacity utilization it is of the ring frame only, ring spindles only. But when the finishing comes, we could produce more of coarser count yarns and that's why we could run such huge capacity despite formal wear and other things were not moving. In commodity of course yes, to some things are still commodity I said Mélange, so the specialty Mélange which we used to make 100% specialty and cotton dyed Mélange and such type of things, full traction has still to come, because the value added garments are still not in that much in demand right now, commodity garments are in demand essentials are only people buying people, people are buying low value whether it is India or internationally, major demand is of low value, commodity items. And those are being manufactured mainly out of the commodity yarns, whether it is Mélange, so that traction is still to take place. But still we don't take any order on loosing basis.

Sunil Jain: Okay. So, the gross margin which has come in the current quarter will sustain whereas the volume will increase?

S K Khandelia: Yes. I think so, but this is some of the items of the winter as said we utilize our preparation finishing capacity, they were usually were having very high level of gross margins. So, but the capacity increases when we increase the capacity because winter, if the yarn stays winter yarn demand getting adjusted by November and sometime in first week of December or something like that. So the margins were there, gross margins are much higher in that. But of course, the level of total gross margin and other things should be almost same.

Sunil Jain: Okay. And sir the debt which has come down in last two quarter part of that must be working capital debt. So with the increasing activity that we'll come back?

S K Khandelia: No, it is not that even pre COVID level. If you will see our last year September, December you will find that even at pre COVID level our working capital utilization has been going down, as we have taken various steps. Number one, that we focused more on faster turnaround time, whether it is the logistics related, whether it is delivery related, whether it is marketing related, we decided we need to have much, much faster turnaround time. So even pre COVID we could reduce our working capital cycle number one. Secondly, we have done certain production

engineering, where the process time has been reduced. Third, we have had very sound say we have installed two years back SAP HANA. So, the inventory management that is also helping us in inventory management of the raw materials and other things. Similarly in the receivables we have selected that wherever we were not getting payments, well in time we have reduced those customers and have increased our exposure to other customers. So, that is because of our strength we have those type of choices working capital has been coming down, now during this pandemic time, you see even say now they are operating 90%, so it is almost the same. If you see almost it is the same 100% capacity, like 100% time, little bit here, but still our working capital is much less as compared to what it used to be in December or even September last year. Secondly, term loan also, Bipeen may be able to tell you, our CFO Bipeen, term loan we have come down to some extent because we are continuously making the payment and I was checking that in two, three year our term loan will come down too much in next two years. Bipeen, can you tell me whether the term loan has also come down?

Bipeen Valame: Yes, sir term loan has come down what has actually happened is that the question what I understand, the net basis whatever we have done a borrowing in last six months and the repayment there is a slightly increase but as you rightly said going forward, since we do not have the capital expenditure, so going forward it will come down dramatically.

S K Khandelia: Yes, because this green fiber material but completely it might have increased but it is going down too much.

Bipeen Valame: Yes.

Sunil Jain: Sir, one question regarding our home textile, what we had seen that all other home textile player in India has bounced back to pre COVID level but still we are not there, so any specific reason for that. The related question is, at what level home textile will be profitable?

S K Khandelia: I will just tell you, as I mentioned home textile is a name and it's a big category it comprises so many products, so towel is home textile, bed sheet is home textile and say we are in curtains and upholstery we are in not because the people are working from home number one. Secondly, China plus advantage is there in bedding, bed linen, carpets, towels in these segments because people are at home. So, because of these segments have seen a lot of traction. But when it comes to curtains, we are in curtains and upholstery at this point of time. So, in curtains and upholstery, there are two regions who are probably doing well. Number one, as mentioned in my last concall that we have decided to change our positioning from commodity to little bit niche products for which we have set up very huge design center and other things and the new products have been launched, repeat orders have started in some of the production export where the margins are very high, in domestic margins are comparatively low. Secondly, we were selling only to the wholesalers and now, my colleague Updeep has mentioned that we will be launching our B2B brand we will be selling some portion to the retailers also. So that will improve our margins our positioning will be different. So we are in different segments, so the segment which you are talking that is bed linen, basically bed linen and towel that is the segment where say whether it

is Indo Count, whether it is Welspun whether it is other such type of player, they have got the advantage of China plus because it will lot of endeavor they are very large integrated players already. So we first wanted to stabilize our curtains and upholstery business first and then increase its volume. And perhaps I am sure but perhaps going forward we may branch out to other home textile products also. That is a big opportunity and we have looking to that.

Sunil Jain: And as compared to Q2 whether the sale increased in home textile as well as, in Q3 going forward?

S K Khandelia: Yes, it should be better.

Moderator: Thank you. Next question is from the line of Dhanya Dhurv an Individual Investor. Please go ahead.

Dhanya Dhurv: Sir my question is what will be the impact of the removal of anti-dumping duty on VSF on the industry as a whole and on the company?

S K Khandelia: Antidumping duty removal, already it will be positive for the industry.

Dhanya Dhurv: And for the company?

S K Khandelia: Naturally we use sizeable quantity of VSF also, we use all type of raw material and viscose is also in sizeable quantity, which we do. So, it should have that positive impact.

Dhanya Dhurv: Okay. And my other question is this Nesterra brand is launching and what will be reserved premiering product and what will be the revenue size that the company is targeting in the next two to three years?

S K Khandelia: It will be premature to reply this question because, launching a brand and then getting it popularize and everything, it requires a lot of traction, but definitely it is going to improve our revenue and margin. That's why we are going ahead with that, it is difficult to quantify at this point of time.

Moderator: Thank you. The next question is from the line of Sunil Jain from Nirmal Bang. Please go ahead.

Sunil Jain: Yes, sorry sir one question remained. Sir this was regarding employee cost, we had seen this the employee cost has moved up quarter-on-quarter there will be some variable and some fixed cost in that what I assume, so, whether any salary cut was taken for employee and that has been restored or likely to get restored in Q3 or anything is there in that case?

S K Khandelia: First of all we had not done salary cut and done minimal cut at the higher levels only. Whereas we have not done any severe cut or something like that, we had done very, just a token mostly at higher levels only, so that is for this year only and since the results are improving so perhaps

whatever little cut also we have done maybe restored going forward. So there will not be much impact on that.

Sunil Jain: And the variable portion will increase?

S K Khandelia: Variable depends upon the production on other things. It will depend but naturally, even in variable when you talk of the variable there are even say the workers and others, there are fixed component to some extent, like engineering, maintenance, quality control and so many other activities are like fixed type, those are the very skilled people that we don't want to leave. So, when the capacity is fully absorbed, the fixed cost is also absorbed much better. So variable cost of course, the direct variable cost definitely goes up with the increase in activity.

Sunil Jain: And any benefit on power costs?

S K Khandelia: Power, in India power is one of the sectors where you see the state governments do not allow even the open access and all those by levying so power cost will likely to continue as it is. Of course we have got some relief, some there but not that sizable. And fixed charges of power for months we got some relief but not much.

Sunil Jain: Exchanges power prices has come down.

S K Khandelia: That has come down but the problem is that all the state governments they levy cross subsidy surcharge, additional surcharge and make sure that those power gets costly to you, so that we have been fighting with the government and government is very much seized of the problem and they are working on a new electricity act will take care of all these things and we hope going forward should help the industry that what we feel in our interaction with the continuation collection with the government because textile in itself is labor intensive and power intensive. If the power cost is high, then how it can be competitive. So, government has seen all the problem we had discussion with the textile minister as well as the power minister Mr. RK Singh and others they are aware of the problem and they are working on it, how to make the power competitive for the industry, particularly textiles.

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

S K Khandelia: Thank you very much for all those who have asked very interesting questions. And at this point of time, as a concluding remark, I would like to again repeat that worst is definitely behind us, I used the word definitely behind us and we are in a much better position than what we expected when the pandemic started and we were prepare for two years losses. But, now I find that we are gaining ground very fast and hopefully if everything goes well, we should be in our full form, again and we have learned many things with this pandemic and we have tried to convert this crisis into an opportunity, many new things we have done, many new initiatives we have done,

and we have changed our way of doing business also. So, the benefit of those will be visible going forward. Thank you so much.

Moderator:

Thank you very much. Ladies and gentlemen on behalf of Sutlej Textiles and Industries Limited, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.