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June 19, 2017

M/s. Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai 400 001 Fax No. 022-22723121/719/22702037/39 Scrip Code: 532782	M/s. 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 Fax No. (022-2659 8237/38) Scrip Code : SUTLEJTEX
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Dear Sir/Madam,

Subject: Transcript of Q4 & FY2017 earnings conference call held on 22nd May, 2017

Pursuant to the Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, kindly find enclosed a transcript of the Q4 & FY-2017 Earnings Conference Call which was held on Monday, the 22nd May 2017. The same is also available on the website of the Company i.e, www.sutlejtextiles.com.

The Earnings conference call held on 22nd May 2017, as per the Transcript enclosed incorporates mainly the highlights of financial results upto 31st March, 2017, 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**



(BIPEEN VALAME)

WHOLETIME DIRECTOR & CFO





Promoted By Dr. K.K.Birla

“Sutlej Textiles and Industries Limited Q4 FY 2017 Earnings Conference Call”

May 22, 2017



Promoted By Dr. K.K.Birla



MANAGEMENT: MR. S. K. KHANDELIA - PRESIDENT & CEO
MR. BIPEEN VALAME - WHOLE TIME DIRECTOR & CFO

Moderator: Good Morning, Ladies and Gentlemen, and welcome to the Sutlej Textiles and Industries Limited Q4 FY 2017 Earnings Conference Call. Joining us on this call today are Mr. S. K. Khandelia - President and CEO; and Mr. Bipeen Valame -- Whole Time Director and CFO.

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 the operator by pressing the “*” then “0” on your Touchtone Phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Bipeen Valame -- Whole Time Director and CFO, Sutlej Textiles and Industries. Thank you and over to you, sir!

Bipeen Valame: Good Morning, everybody and thanks for joining this call. I welcome you all to the Earning Conference Call for Q4 and Annual Results of the Company for the Financial Year 2017. I have with Mr. Shri. S. K. Khandelia Ji President and CEO and also, Stellar IR Advisors our Investor Relationship Advisors. We have uploaded the Investor Presentation and I hope everybody had an opportunity to go through the Presentation.

Just to begin with, what we have seen is that second-half of FY 2017 were challenging and for the Textile sector as a whole and for the Company due to various reason, some of them are demonetization impact, increase in the raw material prices and dampening of export due to strengthening of INR in last six months.

The Company reported total income of Rs. 612 crores for Q4 FY 2017 as compared to Rs. 561 crores in Q4 FY 2016. For the financial year 2017 the total income stood at Rs. 2,287 crores which is 8.5% year-on-year growth against Rs. 2,108 crores in FY 2016.

Sales volume for the Yarn during FY 2017 was Rs. 98,317 metric tonnes compared to Rs. 94,186 metric tonnes for FY 2016. Home Textile production was at around 7 million meters in FY 2017 as compared to 6 million meters in FY 2016.

We have completed the capacity expansion of 35,280 spindles for value added Mélange Yarn at Bhawanimandi, Rajasthan in March and we have started the commercial production in March 2017.

We also completed the capacity expansion at Home Textile Bhilad in March 2017. Now the installed capacity is 9.6 million meters per annum.

In terms of export, we could clock export Rs. 622 crores as compared to Rs. 587 crores corresponding the period of previous year. Export as a percentage of sales remained at around 28% for FY 2017 which is equivalent to almost FY 2016 numbers. As I mentioned earlier to

export to more than 60 countries across the globe and we always try to add new countries for the export.

In terms of EBITDA for the quarter was Rs. 70 crores with EBITDA margin of 11.4%. For the financial year 2017 we reported the EBITDA of Rs. 319 crores which is 5.6% year-on-year growth with EBITDA margin of 14%. The Company reported net profit of Rs. 33 crores for quarter four FY 2017 as compared to Rs. 51 crores in quarter four of FY 2016.

During FY 2017 Sutlej recorded net profit of Rs. 158 crores as against Rs. 143 crores in corresponding period of previous year which shows a growth of 10% year-on-year basis. EPS for FY 2016 was at Rs. 96.4 per equity share both basic and diluted as against Rs. 87.6 per equity share in FY 2016.

I would now like to request Shri. Khandelia Ji to share business outlook and industry scenario and then, we can start with the question-and-answer session. Thank you.

S. K. Khandelia:

Thank you, Bipeen. Good morning, everybody and welcome all of you to this question-and-answer session. As Bipeen has mentioned that Q4 was very challenging particularly after demonetization.

As you know that Textile, retail ultimately it is the retail which matters and that is purely on cash basis because there is hardly any banking type of transaction in retail. So, that was a big challenge. Despite that challenge, the EBITDA of Q4 this year compared to EBITDA of year-on-year last quarter of last financial year.

There is a gap of about Rs. 11 crores only and that includes we have given Rs. 5 crores under CSR to Rajasthan Government very ambitious scheme of Mukhyamantri Jal Swavlamban Abhiyan that is for eradicating the scarcity of water in a areas of Rajasthan which is perennially shortage of water. So, that was a very good scheme and as a responsible corporate citizen we decided to contribute and out of Rs. 11 crores, Rs. 5 crores is because of that and rest is because of business challenges.

Rupee started appreciating, that was another challenge but the biggest was the impact of demonetization. So, that is the reason that Q4 was under stress.. But if you go through the whole year results, you will find that despite many challenges in the second-half of last fiscal year.

We have been able to sustain our profitability and in fact, EBITDA has grown by 5.64% from Rs. 302 crores to Rs. 319 crores for the FY 2017. Similarly, PAT has grown from Rs. 143 crores to about Rs. 158 crores that is a growth of about 10%. So, despite these challenges we have been able to sustain our profitability.

Now, going forward, if you will see that quarter first and quarter two of the current financial year is likely to be challenging. Again, because of the lingering effect of demonetization still 19% currency is to be re-monetized number one. Second thing, huge appreciation of rupee which has taken place will take some time to get adjusted in export markets and because of impact on export sales at present of the industry as a whole there is pressure on domestic sales.

However, the impact on us will be limited because we are mostly in value added segments. But for the whole year of FY 2017 - FY 2018 we hope to sustain our profitability but going forward since we have completed our expansion of 35,280 spindles at our RTM facility for manufacture of Mélange Yarn and has commenced commercial production on 15th March, 2017 and have also completed our Home Textile expansion. So, once these capacities get stabilized during this current year the full benefit of the same will be available for the next financial year that is from FY 2018 - FY 2019, number one. Second thing that we have been continuously diverting our commodities type of spindles wherever it was may be in small quantities to the value-added products and that is the reason despite various challenges over a period of time we have always been able to maintain and improve our profitability.

One good thing which has happened this year according to me is that our share has been split into ten shares from one share and that will improve the liquidity of our share ten times in the market. Another good thing which I feel that despite all these challenges we have been able to maintain our dividend at 130% that is Rs. 13 per share.

Now, we are also adding 17 Circular Knitting Machines, which we hope to commission in second quarter of this financial year and that will add some value but the idea is to have a different line of business related with our existing business. So, we will be converting some portion of our Mélange Yarn to start within the Knitted fabrics, so that will add some value. But going forward, we are looking to this also as a business opportunity.

One more decision which the board has taken to expand our Baddi capacity that is Birla Textile Mills Baddi by 28,800 spindles again to manufacture Specialty Yarns like Industrial 100% Polyester Industrial Yarn Plus Polyester Blended Specialty Yarn like Polyester Linen, etc., this will also be value added. So, we are adding our capacities not for simply for the sake of addition but wherever we find the opportunity to improve our profitability by volume as well as by the addition of value added things. So, we have decided this and the work on this will start in next few months and it will be completed by the end of FY 2018 - FY 2019 and it will be fully operational sometime in FY 2019 - FY 2020.

So, this is the product of this expansion which we do not have in our portfolio at present. So, it is not going to add any pressure or anything on our existing portfolio because we do not have any Grey Yarn of Polyester in our portfolio at this point of time. So, we have been

continuously evaluating various opportunities which have been coming to our way and we have been continuously improving our volumes with the value-added goods.

Earlier our Mélange percentage of the total capacity was about I think 27% and that has now increase to 35% of our expanded capacity. Now, our capacity is about 4,16,000 spindles and out of that about 1,45,000 spindles are of Mélange Yarn. So, that is good thing. Another thing after the proposed expansion of Birla Textile Mill Baddi our total spindle will be about 4,45,000 and there also the addition is for the Value-Added Yarn.

Even in the case of Synthetic on which our other capacity is running that is also value added because we are mainly in Dyed Yarn segment. And the competition in Dyed Yarn segment is much less as compared to Grey Yarn. So, that is again a value added but not like Mélange Yarn. India is the only country which is mainly exporting Dope Dyed that is Fiber Dyed, Polyester Viscose Dyed Yarn and therefore, this appreciation of rupee is likely to be get adjusted in price during the next few months and therefore, the appreciation of rupee will have much less effect on Dyed Yarn as compared to Grey Yarn.

We have spent about Rs. 60 crores on modernization, debottlenecking of our facilities. And in current year also we are going to spend about Rs. 80 crores on modernization, debottlenecking of our plants. So, our policy has always been to keep on improving our technological absorption and to adopt the latest technology which becomes available throughout the world.

Our financials are very strong. Even after these expansions, our long-term debt equity has not increased at all and it is much below 1 that is about 0.75. Even after the proposed expansion of BTM it is not going to increase and it will remain well below 1. The reason is that we have been constantly generating surplus and our profit is what we are employing in the business for improvement of our profitability and sustaining the existing profitability also.

Our total debt to equity ratio is also within control and that is also less than 1.25 that is also less than 1.25. And at the end of 2018 - 2019 it will rather have expected to come down to about 1. Our interest coverage ratio is above 6. So, in this way our total financials are very strong and we continue to generate good profits, surplus for growth of the business.

BTM expansion land we already have which we had taken earlier, so land is available, everything is in place, so we will be going ahead with this expansion.

Thank you and now I open the floor questions answers.

Moderator:

Thank you. Ladies and gentlemen, we will now begin the Question-and-Answer Session. We will take the first question from the line of Manish Oswal from Nirmal Bang. Please go ahead.

Manish Oswal: My first question on the current quarter margin trend. So, compared to December quarter to March quarter the margin has declined sharply. So, could you give the highlights what are the factors impacted the margins? And secondly, how do you see the first-half of FY 2018 the margins because you indicated the margins will be under pressure of because of rupee and other things, so how do you see the margin picture in next two quarters?

S. K. Khandelia: Yes, thank you for your question. Quarter four was very much under pressure because in quarter three of last fiscal year October was okay, October to November it was okay, we were having good quality orders in hand. So, those were also executed despite demonetization those were executed in Q3. However, after demonetization the fresh orders which were executed in Q4 were not of that in that quality because there was pressure because the mills were running through the full capacity throughout India whereas demand was very poor. So, the quality of order in fourth quarter deteriorated which was executed in the fourth quarter that is the one reasons. Second thing as I mentioned to you that in Q4 paid Rs. 5 crores to Mukhyamantri Jal Swavlamban Abhiyan also impacted the EBITDA percentage of Q4. For the first-half of this year say rupee appreciation has taken place in this first quarter. It will take some time to get the price increased in the export markets and once the export again, to pick up the exports again to the normal level until then there will be pressure in domestic market and other thing is that the roll out of GST is creating uncertainty because ultimately it has to go up to retail. So, this uncertainty of GST is likely to be challenging initially. Though in long-term it will have a good benefit for the industry as a whole because there are a lot of unorganized players also, non-compliances also there, so those things will be over. So, in long-term it will be okay, but the second quarter when this is rolled out it will be challenging. Cotton prices have also gone up. So, because of the demand supply mismatch in first quarter - second quarter there will be pressure. So, for the margin percentage are concerned, I think that in first-half as a whole we expect that margins should not go down below of what we have seen in Q4. But for the whole year, for the whole year because some benefit will start accruing after first-half of the enhanced capacity also though full benefit will be available in next year. So, that will also improve our ability to sustain our profits and for the year as a whole as I have mentioned to you FY 2017 - FY 2018 we expect to sustain our profitability and in fact there may be slight improvement if market behaves in second-half.

Manish Oswal: Okay. And second sir, we are expanding capacity at Baddi by incurring Rs. 215 crores as a CAPEX. Why this category because we are moving into a category which in terms of realization from the Mélange Yarn is on a lower side. So, how it will improve our overall margin profile of the company post this expansion because the Mélange capacity is not there in this expansion.

S. K. Khandelia: Okay. See, we have already expanded Mélange to a reasonable level at this point of time because we have expanded at Bhawanimandi that to be absorbed first in the market and so it takes some time and therefore the time has not arrived for any further expansion on Mélange

Yarn. Number two, that how it will improve our profitability and margin percentage? I would like to say that the product which we have selected for Baddi facility expansion the margin percentage is higher as compared to average margin percent as of now. So, that will add something to the margin percentage as well as to the volume of the profit. Margin is better in that product but not exactly as per the Mélange but not very low also as compared to Mélange it will be better than the PV Dyed Yarn and other Yarns which we have beneficiary. So, overall margin will improve to some extent.

Manish Oswal: Okay. And last two data point, what is the total CAPEX for FY 2017 and plan for FY 2018 and second is what is the average Cotton price in quarter four and full year?

S. K. Khandelia: Average price of Cotton we may not be having right now, but you see, the Cotton prices kept on fluctuating and accordingly Yarn prices also keep on fluctuating. So, except with that time lag because we are in value added products say of Mélange Yarn Cotton in our case is just for Mélange Yarn only. So, without of that we have the ability or pricing power. Though there is some time lag only and to that extent there can be some plus - minus otherwise we are more or less inflated against Cotton fluctuation.

Manish Oswal: So, Cotton was not a factor to impact margin in this quarter?

S. K. Khandelia: No, Cotton has a very limited impact. Cotton will have a very limited if there will be any. It is not because of the Cotton. It is mainly because of the appreciation of the rupee, roll out of the GST and such other uncertainties in the market.

Manish Oswal: Okay. Sir, CAPEX number sir, could you provide please?

Bipeen Valame: So, CAPEX for the next year will be Rs. 215 crores for next 18 months plus Rs. 80 crores what we are going to do for debottlenecking.

S. K. Khandelia: Out of the this how much happened 2017-2018.

Bipeen Valame: I will just tell you just a second. 2017 - 2018 is normally Rs. 80 crores.

S. K. Khandelia: 2017 - 2018 we are going to spend total block addition in 2017 - 2018 will be Rs. 253 crores.

Manish Oswal: Okay, sir. Versus FY 2017 number sir?

S. K. Khandelia: FY 2017 was Rs. 329 crores.

Moderator: Thank you. The next question is from the line of Dimple Kotak from SKS Capital & Research. Please go ahead.

- Dimple Kotak:** Sir, what is the capacity utilization we did for the Yarn and Mélange separately and for the Home Textiles?
- S. K. Khandelia:** Capacity utilization for FY 2016 - FY 2017 was 95% for the Yarn including Mélange Yarn it was also around 95% plus - minus 1%. And for the Home Textile segment it was 80%.
- Dimple Kotak:** 80%.
- S. K. Khandelia:** Because it a little more time in Home Textile to get design and other things to stabilized.
- Dimple Kotak:** And sir, what is the margin profile for the Grey Yarn and the Mélange Yarn?
- S. K. Khandelia:** Mélange Yarn is typically 5% more than the other Yarn and in case from the Grey Yarn I am talking 5% more than the other type of Yarn which we manufacture that is Synthetic, Dyed Yarn and other. From Grey Yarn it is typically 8% to 10% more.
- Dimple Kotak:** Okay, sir. And sir, going ahead what is the kind of mix we are looking at from the Mélange Yarn from the Grey Yarn and the Home Textiles down the line in next three years.
- S. K. Khandelia:** Yes. You see the Mélange Yarn will be about 35% after this the expansion which we have completed this year of our total Yarn capacity and after we expand this Baddi capacity it will come down to some say 32% or something like that. And in case of Home Textile our present revenue mix is 5% and it will increase to say 6% - 7% will not increase much because the revenues growing in spinning also.
- Dimple Kotak:** Yes, sir. And sir, currently Mélange Yarn contributes how much to your top-line?
- S. K. Khandelia:** Top-line we do not work out separately. But how much is Mélange profit and how much that we do not work it out.
- Dimple Kotak:** Sir, on a ball park number like 95% of your revenues comes from Yarn, you just have to give a ballpark figure that how much from Yarn and how much from Mélange Cotton , Mélange specifically.
- S. K. Khandelia:** Mélange our turnover about how much is the Mélange turnover?
- Bipeen Valame:** So, what we have been saying that 1,500 metric tons per
- S. K. Khandelia:** 1,500 metric tonne...
- Bipeen Valame:** We manufacture Mélange.

- S. K. Khandelia:** So, total production is about 18,000 tonnes a year against 92,000 so that is about so you can say about 20% in terms of production
- Bipeen Valame:** It will increase after RTM of around 600 metric tonne what you said around 7,200 per annum...
- S. K. Khandelia:** Yes, it will increase by about 7,200 tonne a year.
- Dimple Kotak:** Okay, sir. And sir, secondly, once these expanded capacities they get stabilized in FY 2019, FY 2018 they are stabilizing and FY 2019 you will see the full benefits of them what is the quantum of growth we are seeing in the top-line and in margins per say.
- S. K. Khandelia:** Top-line growth will be there about Rs. 200 crores this year but the margin you see the stabilization does not result in because a lot of sampling is involved. So, when you go to the actual product mix it takes a little time. So, in initial product we do not get that market share, we have to get the capacity though revenue will be there but margins will actually from the FY 2018 - FY 2019 which we say our normal margins. We will get some margins in second-half of this year also. But full margins we will start getting from FY 2018 - FY 2019.
- Dimple Kotak:** Sir, and top-line you will add is Rs. 200 crores for this year?
- S. K. Khandelia:** Yes.
- Dimple Kotak:** From this and from FY 2019 with full capacities in place?
- S. K. Khandelia:** It will be another Rs. 50 crores because that will be value addition because the mill is running full even at now.
- Dimple Kotak:** Okay. And sir, if you can just throw some light on GST, how it has affected positively, negatively for our company?
- S. K. Khandelia:** So far, our company is concerned, initially there will be hick-up in the sense. Ultimately it is the ultimate so, Yarn is produced given good weavers and they are giving their fabric to the garmentors. Ultimately it is either the fabric or the garment which is being sold to the retail in the retail. So, because textile is under exemption route there is no excise on cloth, there is no excise on garments. So, there is going to be excise now it is going to be GST now so some cost is likely to increase but the government is saying it will not increase. So, there are certain uncertain because they say it will not increase because in many state there is VAT, in many state there is entry tax, there are so many levy's. So, because of that they are saying that is why the textile rate has not yet been finalized because the industry wants that it has to be at the lowest rate whereas calculations are still not matching between the industry and the government.

- Dimple Kotak:** Yes. Because in retail we saw 28% margin I mean GST for branded apparels.
- S. K. Khandelia:** Yes, they are saying like that, they are saying that, so it will depend that how actually it works out in the short-term. In the long-term because you see there are a lot of unorganized players and compliance is less. So, there is unwanted competition at many levels. So, those will be over. For our industry going forward it should be good one.
- Moderator:** Thank you. The next question is from the line of Gaurav Chopra from Centrum Broking. Please go ahead.
- Gaurav Chopra:** Sir, I missed the volume of Home Textiles what was the volume number for Home Textiles?
- S. K. Khandelia:** Volume for this year 72 lakh meters and our capacity has increased to 96 per meter. So, it will take some time to get the enhanced capacity absorbed.
- Gaurav Chopra:** And what was the average realization?
- S. K. Khandelia:** You see out of that 72 lakh some part was done by on job and we had done some part on job of others because the increased marketing is taking place. So, I think we have manufactured 48 lakh meters for ourselves and 24 lakh meters on job basis.
- Gaurav Chopra:** Okay. Sir, regarding our raw material, sir which is the largest raw material we have?
- S. K. Khandelia:** Our largest raw material is Polyester.
- Gaurav Chopra:** Okay. So, how has been the pricing of Polyester during FY 2017?
- S. K. Khandelia:** FY 2017 you see up to October those were stable and then they started increasing and up to 1st week of March they were increasing then they started coming down again and now they have come down. So, initially it was say basic price was 78 up to October around 78 it increased up to 90 and now it has again come to about 79. So, it will keep on fluctuating because crude is basic raw material for that. Ultimately there are so many derivatives in between. But not very except this fluctuation in last two months - three months there has not been any it remain more or less stable last year up to October.
- Gaurav Chopra:** Sir, see, if there is any large fluctuation in these Polyester prices, do we get impacted in terms of our margins?
- S. K. Khandelia:** It is only time lag otherwise, it is passed on the market ultimately but some time lag is always there because you have some orders in hand then people take some time to get it adjusted. So, there is only a time lag whether it is plus side or whether it is in minus side. In both sides, there is a time lag.

- Gaurav Chopra:** Okay. Sir, again one more thing, in our Yarn division, sir can you give the capacity in terms of metric in tonnes?
- S. K. Khandelia:** Yes, metric tonne last year as we said that we produce around 92,000 tonnes for the year and our capacity is fully-utilized, utilization was 95%.
- Gaurav Chopra:** Sir, current capacity would be around 95,000 metric tonnes.
- S. K. Khandelia:** It will be around 95,000 tonnes.
- Gaurav Chopra:** 95,000 tonnes?
- S. K. Khandelia:** Yes.
- Gaurav Chopra:** Including Mélange Yarn?
- S. K. Khandelia:** Yes.
- Gaurav Chopra:** And if I have to bifurcate between Mélange and normal Dyed Yarns?
- S. K. Khandelia:** Mélange, you see our earlier production was as I mentioned 18,000 tonnes and it will increase about say 6,000 total next year will be 25,000 tonnes.
- Gaurav Chopra:** Okay, sir. Sir, one more in this current financial year our inventory raise and debtor days have gone up from historical trend. Is there any reason or it is because of this slow down?
- S. K. Khandelia:** No, the major inventory is of the Cotton as we are in the Mélange and for that we need quality Cotton purchase in the Cotton season. So, you see normally Cotton starts coming in the November but because of demonetization in November - December the farmers hold the stocks they did not brought to the market because they were not getting cash and now looking to the quality, this year the quality was a little inferior as compared to earlier year. To stock more for coming years coming off season and finished goods stocks have not increased.
- Gaurav Chopra:** Okay. And the increase in debtors' days?
- S. K. Khandelia:** You see the sales were more in this quarter because in the Q3 sales were poor because of this demonetization so the sales were much more than the about from the production, so since total debtors is of 37 days and last quarter also it was 37 days. Last year also for this quarter it was 37 days.
- Moderator:** We will move on to the next participant that is from the line of Praveen Sharma, an Individual Investor. Please go ahead.

Praveen Sharma: Just wanted to ask that one of the major reason you gave for the muted margins in H1 would be the appreciating rupee. Now, what I feel is that probably the reason would be the exporters would be finding it difficult to export because of appreciating rupee and there would be more supply here. But on the same side since you said that major raw material in our part is Polyester which is linked to crude, will it not reduce the Polyester prices or the raw material prices for us and hence, thereby kind of you know leveling or averaging the dent of the rupee appreciation in terms of exports becoming less?

S. K. Khandelia: See, to some extent you are correct. Whenever the rupee depreciates, the Polyester prices come down as I mentioned to you that after first week of March, the Polyester prices have started coming down. But you see the Yarn prices does not move exactly in the direction of the Polyester. It is basically a function of demand and supply. But since there is pressure on the domestic sale will be more and in export our demand for the price is higher than what the customer is ready to give. So, because of demand supply temporary mismatch the prices will be under pressure. Of course, the Polyester prices have come down.

Praveen Sharma: And sir, this Rs. 5 crores donation to the water, this is the one-time and do we get any tax benefit because of this?

S. K. Khandelia: No, you see CSR is not allowed for taxation.

Praveen Sharma: Okay, this is not CSR 2%.

S. K. Khandelia: As a responsible corporate citizen you need to contribute to society also.

Praveen Sharma: But this would in the last year also, correct?

S. K. Khandelia: No, this was in last quarter only. Another Rs. 5 crores we have given in first quarter this year. We had given total Rs. 10 crores; Rs. 5 crores was given last quarter and Rs. 5 crores we have given in this quarter already given.

Praveen Sharma: Okay. So, based on improvements complete our CSR budget or do we expect...

S. K. Khandelia: Yes, this completes our CSR budget except minor one we keep on doing small work also. So, there may be not much expenses except Rs. 1 crore - Rs. 2 crores throughout the year.

Praveen Sharma: And sir, one more question, on the Home Textile what is seems is that we are doing a lot of job work. So, what efforts are we doing in terms of marketing, so that we switch it over to our own kind of announce work which has more margin then doing job work for other people?

S. K. Khandelia: Yes. You see, to balance the capacity expansion wise taking at a time because the processing capacity and other things had to balance. So, we expanded from about 27 lakh meters - 30 lakh

meters to 96 lakh meters in a short span of one and a half year. So, it takes time because it is a designing and other thing, so it takes a little time. Our policy is not to remain in job. So, we have appointed many designers and we have strengthened our marketing team also. And we are basically trying to increase our exports because in domestic margins are less, in exports margins are better. So, efforts are going on there and hopefully by the end of this year this job should be over.

Moderator: Thank you. We will take the next question from the line of Arjun Sengar from Reliance Mutual Fund. Please go ahead.

Arjun Sengar: Sir, on the GST I think currently as in prior to GST there is no taxation on the Cotton chain on the Cotton Yarn and Cotton Fabrics.

S. K. Khandelia: Yes.

Arjun Sengar: Between under GST obviously, the rate is expected to be uniform for them and Manmade Fibers. So, just wanted to hear your comments on how this would affect Cotton vis-à-vis Manmade?

S. K. Khandelia: See, there are taxes on Cotton also because you see, when you sell the Cotton Yarn there is VAT in the states, somewhere it is 5%, somewhere it is 2%, somewhere it is 4%. When we sell it in inter-states there is CST. So, on Yarn portion there are taxes. On Cotton sale, also there is 2% CST. So, some taxes are already there and government has kept all the taxes which are applicable there. So, overall it appears to me, it is my personal view as of now that there will be some impact on the Cotton because it was more or less exempt except these minor taxes which I mentioned. So, now, we hope that there should be Fiber natural duty structure. I do not know what the government decides on 3rd June meeting and they may keep lower, they may keep equal, so it will all depend what the states decide.

Arjun Sengar: Sure, okay. And sir, just wanted to hear your views on your expectation for Cotton from here?

S. K. Khandelia: See, Cotton in my opinion it is likely to remain range amount for the rest of this Cotton season and for next year I feel that the rates will come down next year because the crop will be higher next year. So, simple reason that the farmers have got very good price this season and the plantation is more. The area is likely to increase by say 7% to 10% and in the USA also the area has increased. So, the supply will be comfortable throughout the year next season. So, I believe when the next Cotton starts coming in the prices will go down. But for the rest of this Cotton season say up to September - October, prices will be range bound.

Moderator: Thank you. The next question is from the line of Ratish Kumar from Sundaram Mutual Fund. Please go ahead.

Ratish Kumar: On the incremental capacity which you are planning on 28,000 spindles in the Polyester Dyed segment, how much is the asset turn you are expecting, sir?

S. K. Khandelia: You see it is not Polyester Dyed, first of all let me clarify, it is Polyester Grey and Polyester Blends Grey it is not Dyed. It is the Industrial Yarn that is not in Dyed form. When the expansion is fully completed and stabilized the revenue is expected to increase by Rs. 240 crores and EBITDA margin will be there in this particular product of about 17.5%.

Ratish Kumar: Okay, sir. So, what would be the kind of realization per tonne and what would be the realization or total output which we can expect in this 28,000 spindles, sir?

S. K. Khandelia: You see, it is in terms of volume it will be higher because it is a cost count Industrial Dyed for sewing of baggage, footwear and such type of things. So, in 28,000 spindles we will be having about 40 tonnes production daily that will be about 1,200 tonnes and say about 15,000 tonnes a year.

Ratish Kumar: Okay. So, 15,000 tonnes so realization you expect around Rs. 160?

S. K. Khandelia: May be like that only because it will keep on fluctuating on the Polyester price but the EBITDA margin is likely to be 17.5%.

Ratish Kumar: Okay. Sir, any other subsidies or any benefits are there in the project associated like interest and benefit sir?

S. K. Khandelia: In this Baddi expansion which we are planning, no subsidies are associated but the expansions which we have completed, so Rajasthan facility which we have completed is practically on the plant and machinery there is no interest. So, there was subsidy of 7% interest from the Rajasthan Government and the rest of the interest was funded by the TUF. So, total interest on plant and machinery was 0 and average interest on the entire project will be about 3.5%. Similarly, in Home Textile there was subsidy of Gujarat Government as well as under TUF so, on plant and machinery there is no interest there and average interest there is 1.5% on that expansion.

Ratish Kumar: Okay. Sir, since the cost of capital is very low in those projects why did not we further expand in those projects, sir?

S. K. Khandelia: No, now TUF is over and then we do not explain on the basis of subsidiaries. Our philosophy is that first you expand then stabilize it and then think of further expansion. This is what we have been doing.

Ratish Kumar: Okay, sir. Sir, on Rajasthan I think, it is there till 2019, right sir the TUF benefits?

- S. K. Khandelia:** The Rajasthan Government scheme is up to 2019.
- Ratish Kumar:** Correct, sir. So, apart from this, will we have any other expansion plan till FY 2019 sir apart from these 28,000 spindles?
- S. K. Khandelia:** As of now we are putting only Knitting Machines which I had mentioned which is a part of this expansion. Nothing else is on the board as of now. But we keep on evaluating many options. We have land there, some land is available 10 crores hectare of land with us, so we keep on evaluating opportunities.
- Ratish Kumar:** Okay, sir. So, any margin guidance you give sir for FY 2018?
- S. K. Khandelia:** FY 2018 as I mentioned to you that we will be able to maintain our margins of FY 2017 almost like that. You see there are so many things which keep on fluctuating throughout the year. But we hope that we will be able to maintain our margins in FY 2018.
- Moderator:** Thank you. The next question is from the line of Nishna Biyani from Prabhudas Lilladher. Please go ahead.
- Nishna Biyani:** Sir, just wanted to understand the domestic Yarn volumes and the exports Yarn volume if you could give for FY 2016 and FY 2017 along with their average utilization as well please. Utilization you have given, your average realization in domestic market and in the export market and the volume split between domestic and export, you have given the turnover split, just if you could give the volume split as well in both the segments Yarn and Home Textile.
- S. K. Khandelia:** I think, it is not readily available right now we will send you.
- Nishna Biyani:** Sure. And sir, the second question was when you look at your inventory of almost Rs. 530 crores end of March. Could you just help us understand how much Cotton inventory is there and how much finished goods?
- S. K. Khandelia:** Cotton inventory, total raw material is about Rs. 235 crores and out of that Cotton, I think it is about Rs. 135 crores something like that.
- Nishna Biyani:** So, this should be about two months, is it?
- S. K. Khandelia:** No, it is three and half months. And our price is not higher than today's price.
- Nishna Biyani:** No, that to be the case sir. And are we now getting back to the weekly purchases or it had been controlled by you, right, the Cotton purchases?

- S. K. Khandelia:** Yes, Cotton purchases are controlled by our corporate office and normally, we keep on tracking the markets. I got the actual figure of this Cotton you wanted to know it is Rs. 127 crore as on 31st March, 2017. So, we keep on purchasing more or less on regular basis then it all depends upon the expectation of the market. But as a manufacturer we try to be regular in purchasing so it gets average.
- Nishna Biyani:** Sure. But sir the average which we use to keep a couple of years back it used to be almost six months...
- S. K. Khandelia:** No, we have never kept six months, at the most we have gone four and half months. But for off season we do accumulate in the season itself. So, then say sometimes we start purchasing two days' consumption, three days' consumption at a time.
- Nishna Biyani:** Sure. And sir, what is the total debt on books at this point in time.
- S. K. Khandelia:** Yes, total debts is Rs. 1,033 crores and out of that about Rs. 430 crores is the short-term borrowing for the working capital and that is mostly either why we have commercial paper or PCFC, so rate of interest is again very low there. Term loan is around Rs. 603 crores. so, it is well within control because with the increase in volume and the expenses which we have taken under taken the borrowing has gone a little bit.
- Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead.
- Saket Kapoor:** Sir, out of this depreciation of around Rs. 22 crores and in fact if we take the whole year of 85 what is attributable to the Home Textile sir? I am talking sir for the full year only, if you could give idea for the full year or we have added capacity for this quarter because it is this incremental, depreciation is around Rs. 1.5 crores for this quarter only.
- S. K. Khandelia:** Yes, because the expansion was completed this quarter.
- Saket Kapoor:** Yes, with that capitalization must have happened.
- S. K. Khandelia:** So, in FY 2017 credit was Rs. 8.77 crores.
- Saket Kapoor:** Rs. 8.77 crores. Sir, that means we have Home Textile revenues of Rs. 109 crores and if we take the depreciation actually Rs. 15 crores could roughly be the profits.
- S. K. Khandelia:** No, you see the revenue will increase going forward, depreciation will remain the same because the expansion has been completed. So, depreciation will not increase much, no.

- Saket Kapoor:** No, I was talking for this year only sir, out of Rs. 109 crores it is around Rs. 15 crores if we take depreciation into account. Sir, what should be incremental revenue out of the expanded capacity for FY 2018 sir factoring in today's prices what should be the incremental revenue, sir?
- S. K. Khandelia:** So, see in case of Home Textiles the expected increase in revenue is about Rs. 50 crores.
- Saket Kapoor:** On a base of Rs. 108 crores we are expecting it will be increment of Rs. 50 crores?
- S. K. Khandelia:** Yes, we are expecting Rs. 50 crores increase in this revenue.
- Saket Kapoor:** And sir, for the Yarn business?
- S. K. Khandelia:** Yarn business as I mentioned to you it should be around Rs. 200 crores.
- Saket Kapoor:** Around Rs. 200 crores that is another 9% on the revenue of about Rs. 2100 crores?
- S. K. Khandelia:** Yes.
- Saket Kapoor:** Okay. And margins we are going to maintain or margins will improve because of the addition of the new capacity?
- S. K. Khandelia:** Margins we are likely to maintain as of now for this year.
- Saket Kapoor:** Okay, even if we maintain then the profits are looking much better with this expansion. Other variables are also there but just keeping in mind the ballpark with which we are adding with our business.
- S. K. Khandelia:** We hope to maintain our margins.
- Saket Kapoor:** We hope to maintain our margins. Sir, SEBI has also come up with an idea of corporate listed company coming with the dividend distribution policy. Has our Board worked it out or in near term we are going to get a policy because many of the corporates are coming with their dividend decision policy.
- S. K. Khandelia:** We do not have any formal dividend policy but we have been maintaining our dividend above 15% of our total. So, last year it was about 17%, this year is also more or less about the same. We are maintaining our dividend payout above 15%.
- Saket Kapoor:** Okay, sir. And sir, last question is on the finance cost part. With the improved turnover, there will be more requirement of the working capital. So, are we looking for pressure on some of the finance cost?

- S. K. Khandelia:** No, at all.
- Saket Kapoor:** Sir, our cycle is shorter means after preparing in very less rupee comes back.
- S. K. Khandelia:** No, you see the cycle remains the same because it gets you to four months' cycle. There is three months to four months' cycle but we do not have any pressure on our finances even after any expansion because we have surplus that is why we keep on expanding.
- Saket Kapoor:** Okay. What is the cash on the book sir then for this year?
- Bipeen Valame:** See, the closing cash actually balances around Rs. 2 crores to Rs. 3 crores but we have to go with a cash flows which is available after considering the repayments the normal capital expenditure.
- Saket Kapoor:** What was the free cash flows for the year sir?
- Bipeen Valame:** No, we will have a free cash flows of around Rs. (+200) crores if you reduce that by we are having a repayment of around Rs. 80 crores to Rs. 90 crores and if we consider the normal capital expenditure of Rs. 30 crores to Rs. 40 crores for the debottlenecking then we should be able to comfortably consider for two years the funding requirement for the expansions what we are taking right now.
- Saket Kapoor:** Okay. And this year it will be at least 15% above than what we have generated the free cash flows, sir?
- Bipeen Valame:** Yes, that will be marginally increase as Khandelia Ji said because first two quarters the stabilization of the existing expansion take some time for having some better realization in spite of the fact that we are having higher capacity utilization.
- Saket Kapoor:** Sir, things will stabilize from the beginning of the third quarter you mean?
- S. K. Khandelia:** It is a gradual process and continues process.
- Saket Kapoor:** Continues process. The whole benefit of the expansion will start flowing only from the third quarter?
- S. K. Khandelia:** Yes, it starts, it keeps on starting something but the full benefit will be available in next year.
- Saket Kapoor:** Next year?
- S. K. Khandelia:** Yes, full benefit.

- Saket Kapoor:** And sir, for this year what is our repayment to bank for FY 2018?
- Bipeen Valame:** Yes, FY 2018 as I said the repayment is in the range of Rs. 80 crores to Rs. 90 crores that is when you see delta improvement, small delta increase in term loan.
- Saket Kapoor:** Okay. And last year it was how much for FY 2017?
- Bipeen Valame:** Almost same.
- Saket Kapoor:** Same figures. And lastly, sir what was the figure for FY 2019 and FY 2020 you must be having the figure. Any bigger repayment other than Rs. 80 crores - Rs. 85 crores going forward?
- S. K. Khandelia:** No, we have not considered any major other than that bigger repayment in our regular outflow.
- Saket Kapoor:** Sir, in the Home Textile segment sir, if we take these total market share of the players domestically where do we stand with our capability?
- S. K. Khandelia:** See, there are very less number of organized players, there are many unorganized players in this field. So, our capacity at the moment is the, reasonable one in organized sector.
- Saket Kapoor:** No, so if we take the lights of Trident, Welspun, and Gujarat...
- S. K. Khandelia:** No, you see we are in the Curtains and Upholstery our segment is totally different. Our segment is Curtains and Upholstery we have intentionally did not get into their segment as of now.
- Saket Kapoor:** We are just terming it as Home Textile but our product profile is very different from these players.
- S. K. Khandelia:** Yes, different form these players and it is fastest growing segment at present.
- Saket Kapoor:** At present and what sort of order booking sir we do I mean how much advance order book is there?
- S. K. Khandelia:** In this there is two months' order booking, for two months - three months next month.
- Saket Kapoor:** Three months' order booking, okay. Okay, and sir Cotton procurement we do after order or before how is that...

- S. K. Khandelia:** Cotton, Home Textile this Curtains and Upholstery does not require any Cotton because it requires mostly Synthetic Yarn and other things and Grey Cotton Yarn which we do not produce.
- Saket Kapoor:** That we purchase.
- S. K. Khandelia:** Yes, that we purchase.
- Saket Kapoor:** And for that we have any long-term contract?
- S. K. Khandelia:** Specialty Synthetic Yarns we do manufacture for this division which we do not plan to purchase from market because of design and other things that we produce otherwise most of the Yarn is purchased in the market.
- Saket Kapoor:** And there we have long-term contracts or spot basis?
- S. K. Khandelia:** No, no long-term contract.
- Saket Kapoor:** Okay, so this is on spot basis.
- Moderator:** Thank you. The next question is from the line of Harish Shiyad, an Individual Investor. Please go ahead.
- Harish Shiyad:** This is regarding our investment in to Oudh Sugar in Oudh Sugar what is the outstanding today as on March?
- S. K. Khandelia:** No we have no NCD in Oudh Sugar.
- Harish Shiyad:** No, Oudh Sugar we have invested Rs. 50 crores in....
- S. K. Khandelia:** This is preference those were listed earlier outstanding is the same because it is earning about 8.5% that is the dividend.
- Harish Shiyad:** That is true, what is the outstanding as of March end Rs. 50 crores only?
- S. K. Khandelia:** Same Rs. 50 crores.
- Harish Shiyad:** Where did you reflect in the balance sheet it is showing only Rs. 28 crores investment?
- Bipeen Valame:** That is a fair valuation.

- S. K. Khandelia:** So, we are expecting that Rs. 50 crores is the face value and we are expecting it to get Rs. 50 crores but after getting into IndAS we have to do the fair valuation. Fair valuation was done because it was 10-year paper we have fair valuation with the market rate and it is accounting entry for discounting accounting adjusted against the earnings.
- Harish Shiyad:** Okay. Now but investment is only Rs. 28 crores is sowing where is other Rs. 22 crores are aligned?
- S. K. Khandelia:** That is why I am repeating it is fair valuation disclosure required as per IndAS now what you are seeing as a fair valuation, if you compare year-on-year basis the value will keep on increasing you will get a Rs. 50 crores at the end of redemption which is 2023.
- Harish Shiyad:** And this regarding CSR we have spent another Rs. 5 crores in Q1 FY 2018 so it will be written-off in the same quarter or it will be amortized over the year?
- S. K. Khandelia:** No, we do not keep it pending, we will amortize in this quarter itself.
- Harish Shiyad:** But then because of that your number goes haywire in Q4 also same thing happened as you said because of...
- S. K. Khandelia:** It is not allowed to spread it over the whole year, if you have incurred you have to show it.
- Harish Shiyad:** Okay. So, your annual budget will be around Rs. 10 crores to Rs. 12 crores out of that Rs. 5 crores you spent for the previous year the current year Rs. 12 crores are still remaining.
- S. K. Khandelia:** It is about Rs. 7 crores, for the whole year it is about Rs. 7 crores, Rs. 5 crores will be coming in first quarter remaining Rs. 2 crores in all the remaining three quarters.
- Harish Shiyad:** Okay. But what about FY 2018 budget?
- S. K. Khandelia:** FY 2018, I am talking of FY 2018 only.
- Harish Shiyad:** Okay, this Rs. 5 crores is given on account of FY 2018 account?
- S. K. Khandelia:** Yes. It was total Rs. 10 crores; Rs. 5 crores was given in FY 2016 - FY 2017 and Rs. 5 crores we have given against 2017 - 2018 in this first quarter.
- Harish Shiyad:** Okay. One more question about the split we will be conducting EGM or it will be through AGM?
- S. K. Khandelia:** It will be through AGM.

- Harish Shiyad:** Through AGM only, it will be somewhere in August or something like that?
- S. K. Khandelia:** Yes, something like that.
- Moderator:** Thank you. Ladies and gentlemen, that was the last questions. I now hand the conference over to the management for their closing comments.
- S. K. Khandelia:** Thank you all of the participants and it was very interesting session, very interesting questions. So, I have only to say one thing that we have been generating cash surplus year after year and our CAGR of the PAT of last four years is about 19%. Similarly, our growth has been year after year and we hope that we will be able to maintain this type of tempo going forward and we will generate adequate returns for all the stakeholders. And thank you. Wish you all the best.
- Moderator:** Thank you. Ladies and gentlemen, with that, we conclude today's conference. Thank you for joining us and you may now disconnect your lines.