

29th November, 2021

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

Subject: Transcript of quarter and half year ended 30th September, 2021 earnings conference call held on 11th November, 2021

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, kindly find enclosed a transcript of the earnings conference call for the quarter and half year ended 30th September, 2021 which was held on Thursday, 11th November, 2021. The same is also available on the website of the Company i.e., www.sutlejtextiles.com.

The conference call held on 11th November, 2021, as per the Transcript enclosed incorporates mainly the highlights of financial results upto 30th September, 2021, and other related information which is already in public domain and / or made available / uploaded on the Company's website.

Please take the same on record.

Thanking you

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



Manoj Contractor
Company Secretary and Compliance Officer

Encl: a/a





“Sutlej Textiles and Industries Limited Q2 FY22
Earnings Conference Call”

November 11, 2021



MANAGEMENT:

MR. UPDEEP SINGH CHATRATH – PRESIDENT AND CEO

MR. BIPEEN VALAME – WHOLE TIME DIRECTOR AND CFO

Moderator: Ladies and Gentlemen, Good day and welcome to Sutlej Textiles and Industries Limited Q2 FY22 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

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

Bipeen Valame: Thank you and Good afternoon everyone. I welcome you all to the Earnings Conference Call of Sutlej Textiles and Industries Limited for quarter and half year ended September 2021 and I hope that all of you and your family continue to remain safe. I have with me Mr. Updeep Singh Chatrath – President and CEO of Sutlej Textiles and Industries Limited and Stellar IR Advisors, our Investor Relationship team. The result presentation has been uploaded on the exchanges and I hope everyone had an opportunity to look at it. I will take you through financial performance highlights followed by industrial business insight by Mr. Updeep.

After seeing a year full of challenges over last one-year COVID-19 pandemic, we saw sharp recovery and revival in the eastern textile industry since couple of quarter with opening of economies which continued in Q2 FY22 with increased demand in both domestic and export markets. We witnessed good traction in domestic as well as the export market with realization increasing in both market. Yarn business export during the quarter contributed 45% to the sales as compared to 34% in Q2 FY21. The capacity utilization levels stood at around 94% which has reached pre COVID levels. We have improvement in utilization level both on year-on-year basis and sequentially on account of improving demand.

During the quarter ended September 2021 the company reported consolidated total income of 798 crore against 473 crore in Q2 FY21 witnessing a strong growth of 68% year-on-year and growth of 35% sequentially. For H1 FY22 the consolidated total income stood at 1,388 crore against 671 crore in H1 FY21 a growth of 107% year-on-year basis. The consolidated EBITDA during the quarter was 107 crore as against Rs 25 crore in Q2 FY21 a growth of 330% year-on-year and 41% sequentially compared to Q1 FY22. The EBITDA margin stood at 13.4% in Q2 FY22 compared to 4% year-on-year and 12.9% sequentially. EBITDA for H1 FY22 stood at 183 crore and 52 crores in H1 FY21 reported consolidated PAT of Rs. 42 crore as against loss of 5 crore in Q2 FY21 and 20 crore in Q1 FY22.

During H1 FY22 PAT stood at Rs. 62 crore a loss of 43 in H1 FY21. I would also like to highlight on the balance sheet side we have been able to consistently reduce the overall debt. The total debt was at 41 crore which is significantly at lower level moreover our gearing which has been contained below 1 since past few years have further reduced to 0.83 times which is also historical low. Lastly, we would like to highlight that presently around 45% of the working capital limits remained unutilized thereby providing the company with adequate liquidity to meet all its

obligations as demand revise that is all from my side. Now I would like to request Updeep Singh Chatrath to share business outlook and industry scenario and then we can open the floor for question and answer. Thank you and over to Updeep.

Updeep Singh Chatrath: Thank you Bipeen and good evening everyone and thank you for joining us on this call of Sutlej Textiles and I hope you all are fine. Indian textile industry as you would all know has seen and gone through a positive change in market dynamics and have experienced a recovery after headwinds faced in the past due to COVID-19. Highly buoyant export market and favorable export policy health sector to revive and emerged even stronger; and today lot of optimism prevails for Indian textile and apparel sector on account of stronger performance which was expected over and over long run and is expected to be there in the time to come.

The global buyers China plus one strategy that is to derisk their supply chains from China riding on India's tremendous strength and textile and state governments initiatives over the last few months. It is a sunrise sector and is fueling growth and propelling Indian textile and apparel industry to a multiyear growth trajectory. As our Minister of Textiles and Commerce said in the recent past it is like rising phoenix. Even 1% shift of global market share offers India an export opportunity of almost USD 8 billion and the government initiative to enhance the ease of doing business, generate employment, create market access and correct sector weaknesses like lack of scale, boost textile export and ambitious schemes like PLI schemes for MMF segment, Mega Investment Textile Park (MITRA) scheme and extension of RoSCTL and notification of RoDTEP, different FTAs being planned will benefit in entire textile value chain. It will provide a level playing field and enhance India's competitiveness in global export market.

As you all know spinning companies have been witnessing strong demand in yarn business with a second largest spinning capacity in the world after China India's spinners should expect and going forward also they should expect full utilization of the capacities and superior margins due to robust demand particularly on account of US and China on Indian cotton. Indian textile players have also actually embarked upon aggressive CAPEX planning to the tune to 20% to 40% across spinning and garment manufacture to drive the current wave of high export demand in textiles. Similarly, I mean the same thing happened with Sutlej. Sutlej being a trusted brand in yarn industry.

We are focusing towards expanding the footprint in terms of home furnishing as well and we launched this brand 'Nesterra' in our home textile segment and we have also boosted our marketing activities in home textile segment with 'Nesterra' advertisement and even as we are aware building a brand in the gradual process wherein initial years are crucial to build strong foundation post which we can start to reach the benefits in the near future. The home textile business enables Sutlej to enter into next lag of growth and we are quite bullish on that. As a result we have also taken on board one of a very senior person to have this home textile division across India and US in American silk mill and we strongly believe that strong yarn business and

upraising home textile business will lead us to deliver robust performance and continue to add value to its stakeholders.

I must also acknowledge the effort put in by our team and well guided by our executive chairman and the board that we are able to perform well in this Quarter and have shown good results.

I think if there is any question that I can answer on the raw material and others so I leave it for the organizer for the question-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Yash Agarwal from JM Financial. Please go ahead.

Yash Agarwal: My first question is on the manmade yarn side how was the realization and the raw material cost planned out in the last two months like we have seen some bit of rise in cotton what is the scenario on the manmade side, how the cost and the realization moved in the last September, October month?

Updeep Singh Chatrath: So, on the raw material side if we talk of the manmade fiber so manmade fiber in the last two months I would say from 1st September till date has increased say from Rs. 98 to Rs. 117 per kg. So, it is almost you can say Rs. 20 change towards the higher side and we have witnessed similarly that there is increase realization also. The realization although would not have gone by the same amount because there is always a lag and today we have witnessed a realization of almost about Rs. 18 to Rs. 20 per kg on the yarn side.

Yash Agarwal: What is the exact quantum of the yarn, what is the absolute number of the yarn realization on manmade side?

Updeep Singh Chatrath: On manmade side our average realization is to the extent of today the prices ranging in the range of 245, our average had been in Q2 is 249.

Yash Agarwal: So, the Q2 price was 249 and today it is 245.

Updeep Singh Chatrath: Q1 was 246.

Yash Agarwal: And Q2?

Updeep Singh Chatrath: Q2 is 249.

Yash Agarwal: And currently that is how much?

Updeep Singh Chatrath: Currently it is ranging in the range of 255.

Yash Agarwal: And sir what is the major raw material its polyester viscose is it for you?

- Updeep Singh Chatrath:** For this yarn it is polyester viscose.
- Yash Agarwal:** Also sir, I wanted to understand you mentioned that about 48% of the business is from yarn if I heard it correctly 48% what percentage of the revenue is from the yarn side?
- Updeep Singh Chatrath:** The entire yarn as a total segment we get almost 95% of revenue from yarn we are basically into spinning. So, the home textile business contribute less than 5% at this point in time.
- Yash Agarwal:** And what is the mix between cotton and manmade on the yarn side?
- Updeep Singh Chatrath:** Cotton and manmade that when we talk about cotton we are into Mélange. So, those are all blended so broadly the capacity is 34% to 35% is on Mélange and rest of it is manmade blends.
- Yash Agarwal:** So, the economic for Mélange yarn is similar to the plane cotton yarn or there is some difference?
- Updeep Singh Chatrath:** There is difference because when we say Mélange see if the Mélange prices are basically governed by a factor because it is made to order. Normal grey cotton yarn would be even made to stock as well and there is a direct correlation between the cotton price and immediate impact is seen on the yarn price whereas case in Mélange there is always a time lag. It was brand would place the order for the garment and garment would place order for the fabric and fabric will place order on the yarn. So, that is already there in the pipeline. So, the increase in the prices or any impact in the prices takes little time. So, basically yes the prices of Mélange also move with our raw material, but there is always a time lag. If a normal yarn would take say about 15 days hypothetically this will take about 40 days.
- Yash Agarwal:** Last question from my side could you also give a trend on the Mélange yarn realization of Q1, Q2 and garment?
- Updeep Singh Chatrath:** Generally, what happens is that we do not consider Mélange as a separate thing it is a basket because we are having a different blends and accounts, but of course the Mélange the final applicability is into the garment like t-shirts. So, generally we see a better realization in Mélanges compared to the other. So, it could be in the range of let us say Rs. 300 per kg.
- Yash Agarwal:** And what has been the increase from Q2 so what was in Q2?
- Updeep Singh Chatrath:** That is what I said generally when we are discussing about the yarn prices we are taking at a complete basket and not only Mélange.
- Yash Agarwal:** So, is it fair to assume that the increase in the overall yarn realization from Q2 to currently has been 3% to 4% is that fair assumption?
- Updeep Singh Chatrath:** I would say slightly more than that.

- Yash Agarwal:** So, incrementally the margins would improve from here or would it stay at the current level of 13% to 14%.
- Updeep Singh Chatrath:** See margins in case of Sutlej or any textile company is a function of demand and supply. What we today see is that we are having able to have the full capacity utilization as I mentioned around 94% and we also see a demand both in domestic and export as I mentioned in my opening remarks that we are seeing a good amount of demand in export prices. So, we expect as the export market also pick up further we will be having a same pricing power have better....
- Moderator:** Thank you. The next question is from the line of Yogan Jaiswal from Mittal Analytics. Please go ahead.
- Yogan Jaiswal:** Couple of questions from the pricing trend again so given the average realization that you mention for manmade fiber, so do you think with the rising cost the spreads will be maintained going forward?
- Updeep Singh Chatrath:** I would say yes because we do spread some sort of a correction as well in the fiber prices in the raw material from here on, but it would not be the same as it was said in Q1 or before, but at the same time the spread would squeeze little bit not too much. So, we expect that we should be in the vicinity in terms of spread.
- Yogan Jaiswal:** And sir in terms of cotton like you mentioned a lot of it is from manmade fiber for your case so how will the cotton pricing impact you I mean what percentage just cotton yarn for your case?
- Updeep Singh Chatrath:** As Mr. Bipeen Valame said that we have around 35% of cotton in this thing. So, the cotton prices definitely would impact us as well and in our case for example the cotton price increase in cotton price sometime do impact us positively as well because there is an increase mélange yarn so we add more value to that. So, to answer your question yes the cotton prices do impact our profitability as well because it is 35 to 40 percent of revenues.
- Bipeen Valame:** Just to add here that what we have seen is that generally the demand of domestic or export remained robust. We are able to pass on the increase in input cost to a large extent not with a full if you have that question.
- Yogan Jaiswal:** Secondly like we are seeing the rise in cotton price is substantial between the quarter I think 15%, 20% is the rise in cotton prices so going forward how do we see that do we see cotton prices to what is our expectation do we expect cotton prices to further go on up from here or do we see that the prices might stabilize here what is our take on it?
- Updeep Singh Chatrath:** Our take on this is very clear that see with the season going in we are not entering the season we just entered the season for the North cotton and for the Gujarat cotton we are just entering the season and today if you look at our daily arrivals are in the vicinity of 140,000 to 150,000 bales and which at the peak would be in the range of 270 to almost 275 lakh. We see that now from

here onwards you would have seen that after Diwali the cotton prices have softened. So, we expect that this cotton prices would stay they will not go as low as on the last season, but yes they will be corrected and they will stay range bound somewhere in the vicinity of this is totally my personal guess in the vicinity of say 55 to 57,000 per candy.

Yogan Jaiswal: And sir secondly in terms of operating margins if we see some other fears I think off late with the better realization and what demand utilization a lot of them have been able to lock in 20% and operating margin while in our case I think we have just been around 12%, 13%, so do you expect there is no scope for us to catch up or do we still have 12%, 13% in the higher range?

Updeep Singh Chatrath: So, here I would like to tell you if you look at the peer comparison we have to see with the product we are in. So, in synthetic if you look at the peer comparison we are almost at the highest EBITDA amongst the peers who are in synthetic business 20% plus EBITDA you are talking about which are predominantly grey cotton spinning company if you talk of standalone spinning.

Yogan Jaiswal: And sir in terms of utilization I think Q1 and Q2 we have been on 90% kind of utilization so going forward for the full year do you expect some more volume growth to come in or in terms of volume this is the highest that we expect?

Updeep Singh Chatrath: See in Q1 we were in the range of 88% and in Q2 we are in the range of 94%. Now here the utilization is also a function of the lot size. Since we are in value added and dyed yarns the lot size are getting smaller MOU are getting smaller for our exporters for the fabric. So, I would say utilization in our sort of business in this vicinity of this it could be 94%, 95% as well there is always scope for improvement. So, that is a utilization we are looking at on the value-added yarns.

Yogan Jaiswal: And sir one last question from my end then I will get back in the queue so in terms of demand visibility how do we function I mean do we have an order book visibility for next couple of quarters or not so much and whatever the case is what is the kind of visibility we have at the moment?

Updeep Singh Chatrath: See there are two things. One when you are talking about visibility it is a funnel. So, confirmed orders we would not like to have for that long in yarn business especially in value added yarn because since the prices are volatile for the raw material. So, the order book at any point of time could be in the range of anywhere between say 25 to 45 days. Because order book we would not like to have because of volatility in the yarn and raw material prices.

Bipeen Valame: Just to add here see we are into the make to order so we do lot of sampling before and we are supplying so you see our inventory levels and the working capital utilization remain very efficient because we do not create a significant amount of inventory in anticipation and also I would say that we have visibility based on various trends what has been sold in the past and what is the trend going on in the market place even at the consumer level. So, we do all that sort

of research so we have visibility but confirmed order I mentioned we take normally in the vicinity of 45 days.

Moderator: Thank you. The next question is from the line of Ritesh Poladia from Girik Capital. Please go ahead.

Ritesh Poladia: Sir on yarn as you said first grey yarn picked up how is now value-added yarns doing is it already pre COVID levels or still there is a gap to fill?

Updeep Singh Chatrath: I think even in case of value-added yarns we are riding almost equal to or little bit on the higher side on the pre COVID level.

Ritesh Poladia: Second on your green fiber last quarter there was some anomaly regarding the prices even though raw material prices were quite high how is that doing now?

Updeep Singh Chatrath: In green fiber we saw a sharp increase in raw material over the last I would say in the month of October the bottle prices reached almost Rs. 61, Rs. 62 where they peaked now it has come down in the range of Rs. 53, Rs. 54. So, the delta now is good enough and this business for us is a profitable business.

Ritesh Poladia: So, is it going according to your projected level or still there would be catch to this?

Updeep Singh Chatrath: As of date as we speak we are on the level what we had projected.

Ritesh Poladia: Because you already have your green fiber so does that impact on your realization of blended and manmade?

Updeep Singh Chatrath: Yes it does I think it give us an edge in terms of margins because we can set the quality as of very optimize the quality to our spinning. So, I would say we have reached a level of where we have been impacted positively by this investment and overall EBITDA margin of say 0.5 to 0.7 as of now and of course we would like to do better on that.

Ritesh Poladia: On cotton crop yesterday government announced some money infusion for cotton procurement, so even after that do you believe that cotton prices would remain stable?

Updeep Singh Chatrath: I feel with more arrivals coming in and with the season we will see that the cotton prices would stabilize as range bound. I do not see there will be too much drop in the cotton prices, but yes we are still on the higher side as we speak today.

Ritesh Poladia: Sir, in cash flow statement there is a 26 crore CAPEX so is this a maintenance CAPEX or modernization?

Bipeen Valame: It is a debottlenecking and is maintenance CAPEX.

Ritesh Poladia: About 50 crores, 60 crores is our maintenance from debottlenecking modernization CAPEX is on that?

Bipeen Valame: Yeah I would say a range of around 70 to 75.

Ritesh Poladia: Sir when do we hear about the next CAPEX plans for the surplus and you would still wait for market to improve?

Bipeen Valame: See generally what happens is that this maintenance and debottlenecking CAPEX is required as of now we are running 4,20,000 spindles so that is required, but any major CAPEX right now it is only under the discussion and we are watching that as you rightly said that how the price movement and the demand supply situation emerge.

Ritesh Poladia: And sir is there capital infusion happened in the American silk mill this 6 months?

Bipeen Valame: So, American Silk Mills capital infusion what we did is that there was some increase in our investment in American Silk Mills, but it is not very major I would say 1.8 million dollars not more.

Ritesh Poladia: Now what is the total investment in American Silk Mills is it upward of 50 crore?

Bipeen Valame: Yeah you are right.

Ritesh Poladia: And sir what is happening with the American silk mill I think even if I do the console and standalone home textile business it is just an 8 crore business so what is happening with the American silk mill?

Bipeen Valame: So, in American silk mill what is happening is that as in the opening paragraph Mr. Updeep Singh mentioned that we have now appointed a CEO who will be looking after the home textile as the complete division that is the India operation and US operation to drive better synergy. Point number two as we mentioned that we are launched 'Nesterra' so we want to see white labeling of 'Nesterra' in United States and abroad where we see a better realization. One of the things which actually hit the performance is the logistic issue in US. You might have heard that there is a lot of discussion going on. Currently US is facing a huge container shortage and the shortage of the drivers to run those big container trucks. So, what is happening is that even though there is a decent order book in hand since the material is not reaching in time from China and India and even European countries the sale could not expect which we expect to get stabilize in this quarter and going forward.

Ritesh Poladia: What would be the run rate of American silk mills before you acquired and right now?

Bipeen Valame: When we acquired the run rate and currently it may not be exactly comparable because of the two reason because last year almost like 18 months is a big wash because of the COVID-19 and

as the recovery started happening the new issue of this container and the logistic which has been hit to US. So, I would say when we acquired the turnover was the run rate was almost \$800,000 per month so almost 9.5 to 9.6 million which we expect that to some extent catch up happen in Q3 and Q4, but it will take some time to come back to the original level because of some logistics issue and also synergistic benefit which we are expecting to come out.

Ritesh Poladia:

And we have 100 crore revenue of American silk mills in FY 22-23?

Bipeen Valame:

Yeah I would say that would be a reasonable expectation actually we are putting a higher benchmark, but I would say that should be we are actually targeting that kind of a situation going forward.

Ritesh Poladia:

And 'Nesterra' is recently launched so of this Rs 31 crore of standalone home textile revenue it would not be meaningful or is there good portion out of 'Nesterra'?

Bipeen Valame:

Nesterra actually, we launched in the month of September end and October just before the Diwali. So, the reflection in number we will see in Q4, I will say part of it, but meaningful discussion can happen in next year once we see a good traction. As Updeep ji mentioned we just started with some hoarding and some direct marketing effort at various location. With a positive feedback we are getting is the customer like the collection, the design and we also expect that it will give us some better pricing for going forward.

Ritesh Poladia:

Few quarters back there was something that some Italian designer teams has been appointed for the domestic home textile business for exports, when do we see the pickup happening in the home textile business from India?

Updeep Singh Chatrath:

I think we see this in the first quarter of the coming year we would see a good traction also happening in our export business from India.

Ritesh Poladia:

Sir would you like to give some target for FY23, FY20 for domestic home textile business?

Bipeen Valame:

I think genuinely we do not give the futuristic numbers and the targets, but all efforts are in right direction and we see some kind of a visibility and momentum happening after this Diwali festival. We expect that traction to continue going forward.

Ritesh Poladia:

And just because since 10 years we are struggling in the home textile business just to boost some investor confidence as you are giving some target or the aspirational target for next five years it would help appreciate us its business because I think in 10 years I think if I see similar basis surplus textile would have lost money in the home textile business?

Bipeen Valame:

Yeah what you said is right, but there are two different things . One is that when 10 plus years history of this home textile business we were in suiting and when we implemented that project actually it was not the adequate capacity because suiting business is driven by the large capacity.

We shifted to home textile to upholstery, curtains may be three to four years back and four years we tried to create our niche. Two years we are selling as Birla Décor, we were actually not branding it and this business requires a branding and the management team. Last two years I would say that we have a management team, the right kind of a designer now we are having a CEO who should look after the entire business. So, your point is valid what we are saying is that our wish is that we create at least a Rs 500 crore business which will contribute at least to 7.5% to 10% of Sutlej top line going forward, but of course this business as you know is having a longer gestation period and to create a brand and have your identification and get better margin, but to be honest all our efforts are on that direction and something which we have probably might have missed or something which we have achieved we are very positive and bullish on this business because we believe going forward this should add to decent number in terms of EBITDA margins.

Ritesh Poladia: Sir this Rs 500 crores would be in two, three years or longer timeframe?

Bipeen Valame: No that is what the internal target of at least three to four years' timeframe we expect that to happen, but as you know that we require a certain amount of at least a base impact costing certain number threshold so that we can see a better growth trajectory.

Ritesh Poladia: Sir further Rs 500 crore any substantial investment needed or you are okay with the current infrastructure?

Bipeen Valame: More or less we are fine with the current infrastructure of course some capital investment may be required if we decide to add certain product profile and if we do not have a specific machine for it, but largely it should be driven by the branding and marketing effort what we are right now putting.

Ritesh Poladia: So, rather than higher infrastructure you made that soft issues like marketing and distribution happening is my understanding right?

Bipeen Valame: Also in certain adjacent categories we have to get in to achieve that. So, those categories could be I mean this is a living room so for that we might need some investment, but it is too early to say how much we would be needing that.

Moderator: Thank you. The next question is from the line of Sagar Shah from SK Analytics. Please go ahead.

Sagar Shah: So, sir my first question was that almost you can say in our yarn business the top line the kind of revenue that we have generated in this quarter I cannot see actually this kind of revenue has been generated again in the last maybe you can say three or four years because of various reasons because of lack of demand and economy was down and many other reasons, so going forward as we all expecting to economy our Indian economy to progress well at least in the next two, three years so first of all do you expect the yarn demand to actually continue at this pace for the next at least two, three years?

Updeep Singh Chatrath: I would say yes see basically there are couple of things. One the demand overall and second India's competitive positions in the world textile trade and I would say the demand is growing to grow to some extent at the same time the Indian textile competitiveness is also going to grow because the initiatives being taken by the government in terms of encouraging exports we have seen in the last quarter our export has grown from say first quarter to the extent of almost 56%. So, I am very bullish on this that in next couple of years that textile demand for yarn demand from India for at least for value added is going to grow and these two years should be good for us.

Sagar Shah: As in the next two years if you see the demand growing and already a capacity utilization is around 92%, so going forward do you think that for incremental demand your capacity is sufficient or you need to bring up new capacities on both?

Updeep Singh Chatrath: In this you know what happens we have to maneuver the product mix even if spindling remains the same, the product mix the yarn count going coarser, finer having different blend. Now in the times of COVID for example in Q1 and Q2 of this fiscal I mean because of some low demand in domestic in Q1 we could serve the export market because we could immediately change our product mix in terms of blend and in terms of count. So, even if we are able to maintain the capacity utilization to the level of say 94%, 95% with the sales spindles we should be able to meet some of the demand but going forward if we need to put up a capacity that can also be answered at that point of time.

Sagar Shah: Basically, you can alter your capacity to bring up the sufficient demand actually?

Updeep Singh Chatrath: Basically, we have to win the market for the product what market needs. So, we should have that flexibility and we should be able to maneuver our production in a way that we are able to give that product. So, that flexibility we have created in our operations so that is something which our team as operational level achieved during this COVID period and we have demonstrated that in Q2 and Q1 of this fiscal year.

Sagar Shah: My second question sir was on margins as we brought out the recycles polyester fiber for projects actually successfully so going ahead because of this debottlenecking and we have already spent 27 crores in this quarter also which was in the cash flow, so going ahead do you see our margins improving from around 12% EBITDA to high levels?

Updeep Singh Chatrath: I feel that yes we should be able to improve as you would have seen that in this quarter also our margins is above 12%. So, we should be able to improve this margins by way of again coming to the changing the blend or the count or the product mix as the market needs.

Sagar Shah: On the gross level or just because of the lower cost of raw material do you think that would suffice any changes in your gross margins of that sort will it help?

Updeep Singh Chatrath: As I said earlier on that we are expecting that at least half a percent and the EBITDA level say about 1% of the gross margin may be we are able to improve we should be able to do that.

Sagar Shah: My last question sir was on the home textile business, home textile business can you say that if we are bringing in some new products upholstery and the cotton business so which would be our dedicated plans, what would be our dedicated plans towards this business so if we are saying improvement even in American silk mill actually?

Updeep Singh Chatrath: See first and foremost in this business is that we have to synergize between the two entities. Now we have made one entity as home textile division. So, American silk mill is a front end for certain price range in the market in US and the goods are to be made in India. So, this synergy is very important for this business and that would justify our acquisition of that brand so that is one we see what is happening and we are quite bullish on that that this is going to give us good result number one. Number two since we have lost due collections so this business is basically a repeat business so once you have more repeat business you get better margin and you get better traction in the market as well. Now we are seeing with the launch of new collections we are increasing our repeat business day by day. So, these two factors are going to help in addition to the new collection being launched. So, we are getting good traction for whatever collections have been launched in 'Nesterra' so far in last two, three months. So, we see to build on and we expect to build on this brand going forward in next two, three years.

Sagar Shah: So, based on the product portfolio you are bullish in it?

Updeep Singh Chatrath: Right.

Moderator: Thank you. As there are no further questions I now hand the conference over to the management for their closing comments. Over to you, Sir.

Updeep Singh Chatrath: Thank you ladies and gentlemen for taking time off to attend this call and I also thank to the participant who have asked very relevant and probing questions and I appreciate that and we do hope and I can assure you that our management team is focused on this each of the team members across Sutlej is quite focused and gung-ho about this company and industry going forward and we would definitely like to have better result and good conversations in the next call. Thank you very much and stay safe.

Moderator: Thank you. Ladies and gentlemen on behalf of Sutlej Textile and Industries Limited that concludes this conference. Thank you all for joining us and you may disconnect your lines.