sutlej
textiles and industries limited

SUTLEJ TEXTILES AND INDUSTRIES LIMITED
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CIN. : L17124RJ2005PLC020927

09th February, 2023

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

Dear Sirs / Madam,

Subject: Transcript of Q3 & 9M FY23 Earnings Conference Call

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, kindly find enclosed a transcript of the earnings conference call for the quarter and nine months ended 31st December, 2022 which was held on Friday, 03rd February, 2023. The same is also available on the website of the Company i.e. www.sutlejtextiles.com.

The conference call held on 03rd February, 2023, as per the Transcript enclosed incorporates mainly the highlights of financial results upto 31st December, 2022, and other related information which is already in public domain and / or made available / uploaded on the Company's website.

Please take the same on record.

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

MANOJ VINOD CONTRACTOR
Digitally signed by MANOJ VINOD CONTRACTOR
Date: 2023.02.09 13:50:30 +05'30'

Manoj Contractor
Company Secretary and Compliance Officer

"Sutlej Textiles and Industries Limited Q3 & 9M FY2023 Earnings Conference Call"

February 03, 2023

MANAGEMENT:

MR. UPDEEP SINGH - PRESIDENT & CHIEF EXECUTIVE OFFICER

MR. RAJIB MUKHOPADHYAY - WHOLE-TIME DIRECTOR & CHIEF FINANCIAL OFFICER

Moderator: Ladies and gentlemen, good day and welcome to Sutlej Textiles and Industries Limited's Q3 & 9M FY2023 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rajib Mukhopadhyay, Chief Financial Officer and Whole-Time Director. Thank you, and over to you Sir!

Rajib Mukhopadhyay: Thank you. Good afternoon, everyone and welcome to the earnings conference call for Sutlej Textiles and Industries for the third quarter and nine months ended December 31, 2022. I hope all of you and your families are in good health. Joining me on the call today, Mr. Updeep Singh, President and CEO of Sutlej Textiles and Industries Limited and Stellar Advisors our investor relationship team. We have already uploaded the investor presentation and I hope everyone has had an opportunity to go through the same. Now let me take you through the financial highlights, after which I will request Updeepji to run you through the industry and business highlights for the quarter ended December 31, 2022.

At the outset let me state that the operating environment for our sector like many others continues to remain challenging. Weakening sentiments in the large economies on the back of inflationary pressures is causing harm for textiles and creating temporary imbalance in the value chain. In the face of these challenges at Sutlej our expanding product-portfolio, multimarket operations, fungible manufacturing and long standing customers have ensured that we continue to post encouraging results. I would like to highlight that last couple of years have been quite ironic for the textile sector. While FY2022 was a phenomenal year for the sector with companies reporting robust results, FY2023 has been a far challenging year with volatility in input cost, muted demand hence the comparison with corresponding previous year looks more magnified due to higher base effect.

Now coming to the income statement. Our consolidated total income for FY2023 came in at Rs.670 Crores, down by 19% on a year-on-year basis. The drop in sales was witnessed in both domestic and export market. For the nine months ended December 31, 2022, the consolidated sales were up by 6% to Rs.2349 Crores led by realization and growth in both domestic and export markets. Gross profit for the quarter was down by 21% at Rs 305 Crores on a year-on-year basis. For period ended nine month ended December 2022, the gross margins witnessed improvement of 6% on year-on-year basis at Rs 1147 Crores. For Q3 FY2023 our EBITDA stood at Rs 21 Crores that translates into an EBITDA margin of 3.12% as compared to Rs 99 Crores in Q3 FY2022. At the net profit level, the company reported a loss of Rs.16 Crores for Q3 FY2023 as against a profit of Rs.37 Crores corresponding previous quarter.

On the balance sheet side, we have been consistently trying to maintain our debt equity ratio. Currently our debt equity ratio is 0.72. During the nine months, our consolidated debt has reduced by Rs 125 Crores to Rs 818 Crores. Total term loan repayment for FY2023 are around Rs 125 Crores of which we have already repaid around Rs 103 Crores till December 2022. The balance will be paid in Q4 FY2023. That is all from my side. I would now request Shri. UpdeepJi to share the business outlook and industry scenario and then we can open the floor for the question and answer session. Thank you.

Updeep Singh: Thank you, RajibJi and good afternoon, ladies and gentlemen and thanks a lot for joining on this earning call today for Sutlej Textiles and Industries Limited. Between this call and the last call much change in business environment in general and textile industry sector in particular. After a buoyant first two quarters, textile industry faced headwinds riding on uncertain geo-political situations which resulted in volatility in raw material prices. On demand side there have been pressure and still is on especially from high consumption market of USA and Europe due to recessionary trends. We now live in an environment of inflation and recession. Consequent to all this as I mentioned about that is inflation recessionary trends in USA and Europe and unprecedented volatility in raw material prices, uncertainties have resulted in. This triggered low consumer confidence and a wait and watch approach by the buyers who in turn kept textile (line disconnected) in calendar year 2022, especially in the second half. China owing to its higher manufacturing geopolitical shifts and preference for diversification in supply sources by leading brand retailers (line disconnected). In India textile and apparel exports declined in second half and is likely to be about 8 to 10% lower in 2022 calendar year as compared to 2021. With revenue and margins having started declining in Q2 of 2023 and I think they came further down in Q3. The macro headwinds of inflationary and cost pressures, high and uncompetitive prices and volatility in the raw material prices and the distance from the downstream companies, the recessionary concerns in the key markets have resulted in contraction of almost about 11.5% of India's total T&A exports during the period April to December 2022. Share of textiles and apparels for the total merchandize exports from India declined to 7.93% during April to December 2022 from 9.78 in the previous year. Prices of cotton yarn have contracted from the peak levels of May 2022. They continue to be around 15 to 20% still higher than the past five year average and likely to keep moderating in the coming months. The overall impact is likely to be moderation of profitability and revenues of spinners as happened in Q3 and may continue in the quarter. In terms of outlook, we still remain positive with these temporary disruptions as these temporary disruptions should get resolved. The government is also making effort which is going to be long term in helping us to reduce export risk and one of the step is in signing FDAs. So coming to Sutlej as a multimarket diversified product company our capacity utilization was not much impacted as the overall industry in spinning. While our inventory positions are currently higher than planned, we are constantly in touch with out distribution channels and customers and are confident to pick up sales and rationalization of inventory in the coming quarters. For our home textile division, we continue to focus on bringing in fresh orders. Our biggest strength continues to be our fungible manufacturing facilities that are not only able to cater to domestic and export markets, but also able to process and offer inter changeability between the cotton and manmade fiber. This diverse set of raw materials we believe helps us to derisk our raw material cost as well. We believe that all these positives going for us, Sutlej is well placed to continue its strong performance and add value to stake holders. I now open the house for question and answer session which we will be very pleased to answer. Thank you so much

Moderator: Thank you very much Sir. We will now begin the question and answer session. We have the first question from the line of Amit Aggarwal from Leeway Investments. Please go ahead.

Amit Aggarwal: Sir good afternoon. Sir I have two questions. Sir one question is regarding yarn prices. China is opening up after Covid for last 15 days so do you think it will affect the yarn prices around the world and my second question is regarding the debt level. Since expansion coming in the next two to three years but our earnings per annum not that much from the whole project so do you think the debt level should increase from here in the next two, three years since the market around the world are going for high interest rates. What is your opinion in both the cases, thank you?

Updeep Singh: To answer your first question because you first question was very, very clear to me. That is regarding you say that the opening up of China, the prices of yarn how this would go. See Mr. Amit Aggarwal thank you very much for this question. See with the opening up of China we do see that the prices of fiber, today if you look at the prices of fiber, the delta between the raw materials to the fiber is very low and with the opening up of Chinese market after the holidays we feel that this might help to increase the demand as well ,so as such we see that the yarn prices which are at present in the international market may not be too much impacted. There will be a small impact, but not that much so we do not see much effect from that.

Amit Aggarwal: Since we have a huge expansion coming up in the next two, three years that is around 900 Crores projects, coming up and our earnings are not that much do you think our debt level will increase in the next two, three years from the present level.

Rajib Mukhopadhyay: So what I understood from the question is you want to know that whether the debt level is going to increase in next two to three years right.

Amit Aggarwal: Yes because we have expansion around 900 Crores projects coming up.

Rajib Mukhopadhyay: So yes the project is going to come up. Obviously for that particular project that term loan will come into the books, but overall operational working capital will be, because this project to come into commercialization it will take two years so the working capital level will be similar till that point of time. Yes term loan will come into the book yes that is for sure.

Amit Aggarwal: So the total debt will be increased from that current right.

Rajib Mukhopadhyay: Yes total term loan will increase from the current level.

Amit Aggarwal: Okay thank you. That is it.

Moderator: Thank you. We have the next question from the line of Rahil Shah an individual investor. Please go ahead.

Rahil Shah: Hi Sir. Just wanted your outlook in terms of percentage wise how do you see the revenue growth happening for the next quarter as well for the next year and even the margins which has gone quite low if you could provide a certain number you have in mind which you will be able to achieve.

Updeep Singh: Thank you Mr. Rahil Shah for asking this question. You see since the market is very, very volatile in terms of the raw material as well and there is a lot of pressure on demand, we still feel that in the coming quarter we should be able to better the top line as well so the profitability, but it is very difficult to predict any number today. We all know the volatility in all raw materials and uncertainty on the geopolitical situation. To commit any number or to predict any number it will be very, very difficult for us even for the next one or two quarters, but we feel that this is a cycle and it will take some time to stabilize. I think 2023 towards the second half should be good that is my personal assessment.

Moderator: Thank you. We have the next question from the line of Akshata Anchan an individual investor. Please go ahead.

Akshata Anchan: Hello thanks for the opportunity so I have couple of questions. My first question is on the cotton production which is lower than it was expected for this year so will this have any impact on the cotton prices or will it sustain from these levels.

Updeep Singh: And your second question.

Akshata Anchan: So my second question is the current situation that is in Pakistan so will that help India in any way or is India capable of delivering it to that extent from exports point of view.

Updeep Singh: So thanks Akshata for the questions. First coming on the cotton production. We see that the cotton production when we started the season it was estimated by various agencies to the extent to almost 350 to 355 lakh bales which now one of the agencies has estimated our production of almost 330.5 lakh bales with these and some other trade quarters are still expecting a crop of 350 lakh bales. With these production level I think the cotton prices should be stabilizing somewhere in the range as these are today. We cannot expect the cotton prices to go to the level what these were say in the year 2021, but we feel that they should be fairly stable in the 60s so with these cotton production what we have today because internationally also we see that in the US also the cotton production is going to be almost 14 million bales instead of 17 million bales. Internationally also there is a pressure on the cotton prices, pressure in the sense that they should be little higher and the problem is not the higher or lower, the problem is the volatility in the cotton prices and with the uncertainty in demand and macroeconomic factors, I see cotton future have remained range bound with increased volatility. The cotton futures if you recall declined sharply from their highs of US cents 155.93 on May 4, 2022 to the lowest of US cents of 72 on November 01, 2022 but recovered and today these stay at almost 85.61 cents per pound basis March 2023 as a month. So I feel that these prices would remain range bound to firm. Now the second question was about Pakistan. You see with the situation in Pakistan, I mean Pakistan is now also importing lot of cotton because their crop got destroyed as well and what the situation is I think from India we can take some advantage in terms of some of the home textiles and also the cotton coarse account because Pakistan has been producing mainly on the coarse accounts so I think India should stand to gain some out of this and let us hope for the best.

Akshata Anchan: Thank you Sir.

Moderator: Thank you. We have our next question from the line of Vivek Mehta an individual investor. Please go ahead.

Vivek Mehta: Thank you Sir. Thank you the opportunity. Sir my first question is with the freight rates reducing will have it impact on demand situation.

Updeep Singh: See with the freight rates coming down. For example in US market also for example that is one the biggest consumption centers. With the freight rates coming down the overall prices yes would come down, but at the same time,the recessionary trends, I mean the overall demand being less I think there would be some sort of rationalization but at the same time they would trade off, so the freight rate coming down may not impact that much because of the reducing demand or the pressure on the demand side, but definitely it has little positivity.

Vivek Mehta: Okay Sir. Sir my second question is with China opening up how it will shape up for our economy from textile perspective.

Updeep Singh: I think Mr. Vivek Mehta with China opening up we feel that there would be a better prospect in terms of mainly the manmade fiber prices I mean they can little bit sustain and they increase the prices I think overall this would have a little positive impact in the overall scheme of things for textile industry as well.

Vivek Mehta: Okay thank you Sir. That is all.

Moderator: Thank you. The next question is from the line of Riddhesh Gandhi from Discovery Capital. Please go ahead.

Riddhesh Gandhi: If you could just outline over the last two to three quarters and including now how are spreads been both on the cotton side and the MMF side.

Updeep Singh: Thank you Mr. Gandhi for asking this question so I would say over the last one quarter we have seen a lot of pressure on both the spreads. On the cotton side also, I mean today we see in our segment because we are not into grey yarn we are into dyed melange yarns. The spread has been to the extent of almost I would say in the vicinity of 90s and in case of synthetic it had been in the vicinity of say 70-75.

Riddhesh Gandhi: If you could let us know for example in Q2 how the spread was, in Q3 how the spread was and currently what the spreads are currently looking like.

Updeep Singh: Q2 in case of cotton in the vicinity of 125 and in synthetic I think it was in the range of 90-95.

Riddhesh Gandhi: How would we look it in Q3 what was the range.

Updeep Singh: Q3 this was down to almost 85-90 and 55-60 respectively in that range because there is a wide range of products.

Riddhesh Gandhi: And right now how much would it be.

Updeep Singh: We are almost the same. Little bit higher.

Riddhesh Gandhi: Got it and so effectively from what I understand some amount of cotton spread squeezed was effectively because of the Indian prices being higher than international that has been repaired but the rest of it and with the reason it is continuing is because the demand is slow is it.

Updeep Singh: See the majority of the reason is the demand, in our sector in our type of products. It is basically the demand at the stores or I would say the consumer demand. There is recessionary trend and US and Europe are the major markets I mean I would say the consumer demand which has impacted the spread and also because of the falling prices of the raw material and the volatile prices rather this has impacted the overall spread across over the quarter.

Riddhesh Gandhi: If we were to look at let us say I mean look at the end of the day this is up to an extent, commodity given out spreads have been volatile but if were to look let us say like normalized spread. What is it like normalize actually that we should be looking at?

Updeep Singh: I would say that normalized spread for cotton for our type of products should be in the range of 120-130 around that and in case of synthetics in our product category it should be in the range of about 90-95 something like that.

Riddhesh Gandhi: Got it. So if you were to look at it the larger delta is in terms of the MMF in terms of right now we are 55 but you are saying it should have normalized at 95.

Updeep Singh: Yes depending on of course the product categories for example in some season we get coarser counts, some season we get the finer counts so yes you are right. I mean averagely that only

Riddhesh Gandhi: So higher pressure right now on MMF as opposed to actually like cotton is it.

Updeep Singh: No cotton there is no demand. So we have converted some spindle to MMF.

Riddhesh Gandhi: Cotton is a demand issue and MMF demand is an issue, but spreads alone.

Updeep Singh: So that is as on today tomorrow could be different.

Riddhesh Gandhi: But is this volatility like I mean almost sort of actually weekly that we are seeing huge difference or it is reasonably steady right now.

Updeep Singh: For example say one day the crude price is such it impacts your synthetic all the more so that is one.

Riddhesh Gandhi: We have some inventory hits also in Q3 right given the prices that has come off.

Updeep Singh: Inventory hit yes.

Riddhesh Gandhi: Sir can you quantify what is the extent of the inventory hit is.

Updeep Singh: I think our CFO can take it offline. I do not have the exact figure right now with me.

Riddhesh Gandhi: Okay sure. Just to get your own perspective where you will effectively think we will see this normalize when the orders for let us say the garmenters and home textile players etc started normalizing that is when the demand will come back effectively is the way we are looking at.

Updeep Singh: That is what I feel so but when it would be I am not in a position to comment on that because it will be very difficult, but I foresee that at least a quarter or so would take it depending on the geopolitical situation.

Riddhesh Gandhi: Because of all of this pressure per se are the other mills closing or not really.

Updeep Singh: See we saw it last quarter or so. I mean certain percentage of spindle being closed but luckily we never did that so we have been utilizing our capacity to almost 94% or so as being done in the dyed yarn.

Riddhesh Gandhi: Got it. Understood Sir. I will rejoin the queue for more questions.

Moderator: Thank you. The next question is from the line of Niraj Mansingka from White Pine Investment Management Pvt. Ltd. Please go ahead.

Niraj Mansingka: A few questions one what would be the normalized EBITDA or your normalized EBITDA margins for 90-95 cents for synthetic. How much EBITDA in rupees crore can you do because of that?

Updeep Singh: See normalized EBITDA margin should be in the range anywhere between 12 to 14%.

Niraj Mansingka: In terms of rupees I was asking.

Updeep Singh: I do not think I will be able to give you any numbers on that front because it depends on the product as well.

Niraj Mansingka: The reason I was asking Sir because we have done 5% EBITDA almost approximately in margin term for the yarn. Is it right to say the normalized EBITDA would be 12-13% and we would have lost almost 7% revenues in higher cost of inventory. Just an approximate number would be do.

Rajib Mukhopadhyay: You mean to say that the reduction of EBITDA what is the cause of this particularly, is this the question or something different.

Niraj Mansingka: Yes.

Rajib Mukhopadhyay: So it is partly contributed obviously by inventory but not exactly that is the whole 6% or 7% what you just quantified.

Niraj Mansingka: If I just hop on that again. See if you have yarn revenues of 620 Crores or so and 12% EBITDA would reach to 75 Crores, but entire reported of EBITDA is almost 15 to 16 Crores so with 60 Crores of delta on a total supposed to be EBITDA of 75 Crores. Can you give some more thought like it is not partial is not it a meaningful impact of inventory or is it some other reason also that the EBITDA margin is impacted.

Updeep Singh: I will tell you this does not include only the synthetic this includes the cotton also which is also highly impacted.

Niraj Mansingka: But Sir you company is quite heavy on the non cotton side right.

Updeep Singh: No I do not think so we are 50, 50.

Niraj Mansingka: If you assume there is more inventory loss is it right to say that you would end up making 12-13% EBITDA margin over the period of next two to three quarters.

Updeep Singh: If the market stabilizes and if there is a demand yes.

Niraj Mansingka: Okay Sir the second question was on the home textile. In the past you have said that there has been utilization increase and possibilities and because of which you see the EBITDA margin of this business improving, but the EBITDA of the home textile has not improved for some time now so can you give more colour on how do you see this business or do you see this perpetually losing money or do you see some improvement going forward.

Updeep Singh: Yes we do feel improvement going forward because we are increasing our presence in the export market because that is one market which would really set us the profitability as well. If you look at our EBITDA in terms of I would say absolute numbers has remained the same in terms of the EBITDA margin; however, the turnover has increased so that means that we are little bit improving on that and I think we should be improving much more in the coming quarters. I mean in the next couple of quarters or three quarters we should be improving. Next financial year should be good for our home textile because we look a lot of traction in the exports.

Niraj Mansingka: So when you say the traction, there is order in hand or there is an expectation.

Updeep Singh: It is a long gestation order period because once you do your placement it takes about 8 or 10 months for the business coming in so we have lot of placements which have happened over the last six months so we expect lot of repeat orders coming in the next financial year.

Niraj Mansingka: What was the utilization in home textile business for this quarter.

Updeep Singh: For this quarter I mean for the processing we have the utilization of almost 92% on the processing side and on the home textiles as there is weaving other processes we were in the range of 53-55%, but we have been outsourcing a bit,so we are not making everything in house some ,we take it from outside so that includes in the turnover although utilization of the machine per se could be lower but our turnover has increased.

Niraj Mansingka: And Sir last on the Nesterra how has the pickup been in the domestic market.

Updeep Singh: See Nesterra yes we are coming up I mean people are recognizing the brand although we are not investing too much money as of now on the marketing, but still we see a lot of traction. We have our product presence in almost now 500 stores across and we have identified few segments which are high volume segments and we have seen lot improvement over the last six months on our per day cuts. We have touched as high as almost 1200 meter as well but not on a very consistent basisbut averagely we have been at about 500 to 600 meters so far.

Niraj Mansingka: Okay Sir. Thank you. I will come back in the queue.

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

Chirag Shah: Sir thanks for the opportunity Sir. I have question in continuation to the earlier participant. Sir if the demand stays where it is in terms of your volumes be it cotton, blended or synthetic can you still expect your margins to improve either on unit economics or in percentage terms and if yes how much is the kind of one off in this quarter which is hiding the normalized margin because from 12-13% range to 5% what is the normalized range of margin assuming the demand or your production stage where it is for one or two quarters.

Updeep Singh: I think we should be able to improve some margin Mr. Chirag and thank you very much for asking this question. If the demand remains the same, but lot will depend on the volatility on the raw material prices as well, because one side is demand the other side is of the raw material, still I feel confident that we should be able to better our margins from this quarter.

Chirag Shah: So on the raw material side would it be because the way you indicated the volatility behind and in a sense we do not expect raw materials to fall further given the demand scenario and the expected output that we are looking at so is it right to assume that raw material basket has kind of bottomed out and it will stay in a narrow range of 10-15%.

Updeep Singh: I would say yes but at the same time I would not like to say with full confidence or commitment that would remain so because who imagined that cotton prices in three days would come from 64,000 to 65,0000 to 57,000 and go back to 63,000 in three or four days time. I still feel that depending on crude, the raw material in terms of manmade fiber more or less should be stable, but cotton we cannot say too much on this, although we say that it would range between 60-62 that is fine, but nobody can commit on that.

Chirag Shah: Fair point Sir. That I understand and fully accept that point, but we do not expect to fall significantly from here at least that is what the industry base assumption is right.

Updeep Singh: Yes should be yes. I tend to agree to that.

Chirag Shah: So in that case if there is no major one off in the results then the margin improvement cycle maybe very slow. I mean that is what everybody is trying to focus on from the reported 5% margins what is the normal is it 8-9% kind of normalized number. I understand 13% would depend on your operating leverage angle also so if you can clarify that.

Updeep Singh: I would say. I tend to agree with you to that but definitely we should be able to improve from this position.

Chirag Shah: Second question I had was this home textile business Nesterra business altogether in all forms, see quite a few time when we have looked at the business there are some of the other challenges and even when we look at your current capacity and intended future potential capacity that we are looking at in the medium term it is unlikely to be a big revenue contributor in overall scheme of things are there any second thoughts internally given the kind of bandwidth that you are giving to that particular business and stating some of the other challenges. I understand that you have built up the business very hard, but does it require a relook the way you do business or whether the business is required to be done especially when you are looking to premiumize your main business.

Updeep Singh: See a couple of things in that one is that this business may not be very high on the turnover but this certainly creates value for the company which we are looking at and that is why we are investing management bandwidth as well as money in that so definitely riding on Nesterra as well so we feel that this business can create value over the next one or two years.

Chirag Shah: Thank you very much.

Moderator: Thank you. The next question is from the line of Riddhesh Gandhi from Discovery Capital. That is a followup question. Please go ahead.

Riddhesh Gandhi: Hi Sir. It is just a question in terms of when you look at incremental capex what are the return ratio you look at.

Updeep Singh: In case of debottlenecking when we are looking at debottlenecking capex we look at a return of almost return level of EBITDA level 10-12%.

Riddhesh Gandhi: No I am not talking about from an EBITDA perspective Sir. I am saying from a payback period angle.

Rajib Mukhopadhyay: What angle sorry?

Riddhesh Gandhi: Actually payback period.

Updeep Singh: Payback period. We normally look at our payback period depending on the machine or something. We look at a payback period of anywhere between 5 years to 6 years.

Riddhesh Gandhi: What I am asking is if the payback period is of 5 to 6 years, why is it attractive for us to be investing into businesses like that.

Updeep Singh: Not in business. I am saying debottlenecking capex.

Riddhesh Gandhi: Is not that just a way to lower the return on capital employed.

Updeep Singh: In case of textile industry I think if you are having a payback period of anywhere between 4 to 6 years that should be good enough because this is a long term industry.

Riddhesh Gandhi: But I am saying 4 years and 6 years difference is reasonably large right in terms of the payback period four years is at least reasonable, because look I think the issue has historically been is that I understand that obviously taking capital out of the business through less dividend and buyback is not tax efficient and everyone is therefore happy with 8-9% ROE given what the alternatives are and it is reasonably safe but from an external investor perspective ideally you would want either you return capital or then you invest in the projects where would feel steady state ROCE is going to back at least 16% if not 18% and above.

Rajib Mukhopadhyay: So Mr. Gandhi I think textile is not so lucky to have that kind of return on equity. I think it is a traditional industry maybe the industry changes and the return on capital employed changes everything so that way you cannot compare 16% is an attractive number. I can tell you there are businesses where it is 25% or maybe 50% so there is no point comparing like this but as far as the textile industry is concerned I mean limiting the discussion with our context I think we are one of the good return generating companies in terms of the return in capital employed.

Riddhesh Gandhi: I am not comparing to any other industry at all. I am just comparing to what your cost of capital would ultimately be and be able to generate over and about that because what I see is that in the event it is six year payback why invest at all why not just return capital to shareholders at that time.

Updeep Singh: You are right. I mean for the new project where we are increasing the capacity and all that there yes we see ROCE of more than 15% definitely yes.

Riddhesh Gandhi: Okay got it. Alright Sir. Thank you appreciate it.

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

Hari Kumar: Sir good evening. Can you throw some light on the green fiber plant is it going as per planned and what are the margins right now and the second question is regarding is there any opportunity to enter into the technical textiles like taking the government incentives because it has been shown as the next growth sector and with higher margins. Thank you.

Updeep Singh: Thank you very much Mr. Hari for the questions. Number one I speak something about the green fiber yes this green fiber has been doing well for us over the last couple of quarters or so. In this quarter we have done good and we have been getting two advantages of this, one on the profitability side second on our efficiencies on the spinning side as well so talking of the profitability side we are at this quarter I think we are in the EBITDA vicinity of almost 13.7 or 14% so green fiber has done well and we have been running quite efficiently in the sense that on a average over the last quarter our production per day has been to the extent of almost 122 tonnes against an installed capacity of 120 tonnes per day. Your second question was on.

Hari Kumar: Technical textiles.

Updeep Singh: That is another good sector which is opening up and see basically as of now we would like to consolidate on our adjacent category of product mix. Today as a company we have a product mix where we are basically on the dyed yarns and sometimes we need some grey yarn as well on the various blend as well so for the moment we are concentrating on that. On technical textile it is still a growing sector and there are certain regulations which we expect. I do not know I mean when these would come and this is not a very big investment but it requires a lot of gestation period to bring it up in the absence of regulation so for the first instance we are open for that, but for the first instance we would like to be the adjacent category of the dyed and the blended yarn.

Hari Kumar: Last question Sir any plans for going into fiber rejuvenation like PurFi Global as a technology

Updeep Singh: Fiber regeneration you mean the recycling. You mean the recycling from the consumer waste.

Hari Kumar: Yes right cotton waste, industrial waste.

Updeep Singh: So we are spinning some sort of recycled cotton as well but we are not doing that recycling ourselves. We are outsourcing the recycled fiber and as we build of the capacity to sell yarn and make yarn then at that point of time we will definitely consider this recycling of consumer waste as well and that is a in thing now and we are quite aware of that.

Hari Kumar: Thank you very much.

Moderator: Thank you. As that was the last question for today, I would now like to hand the conference over to Mr. Updeep Singh – President & Chief Executive Officer for closing comments. Over to you Sir!

Updeep Singh: Thank you and I thank all ladies and gentlemen for joining this call and reposing faith in the company and asking very pertinent questions and I hope that we should be able to do better in the coming quarters and our entire team at Sutlej Textiles including our executive chairman and the entire board we are behind it and we are very sure that we will be able to better this performance which has been shown in this quarter. Thank you very much for joining and all the best to you.

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