SUTLEJ TEXTILES AND INDUSTRIES LIMITED
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CIN. : L17124RJ2005PLC020927

11th May, 2023

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

Dear Sirs / Madam,

Subject: Transcript of Q4 & 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 year ended 31st March, 2023 which was held on Saturday, 06th May, 2023. The same is also available on the website of the Company i.e. www.sutlejtextiles.com.

The conference call held on 06th May, 2023, as per the Transcript enclosed, incorporates mainly the highlights of financial results upto 31st March, 2023, 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: 2023.05.11 16:17:42 +05'30'

Manoj Contractor
Company Secretary and Compliance Officer

"Sutlej Textiles & Industries Limited

Q4 FY '23 Earnings Conference Call"

May 06, 2023

MANAGEMENT: **MR. UPDEEP SINGH – PRESIDENT AND CHIEF EXECUTIVE OFFICER – SUTLEJ TEXTILES & INDUSTRIES LIMITED**
MR. RAJIB MUKHOPADHYAY – WHOLE-TIME DIRECTOR AND CHIEF FINANCIAL OFFICER – SUTLEJ TEXTILES & INDUSTRIES LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Sutlej Textiles and Industries Limited Q4 and FY '23 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 star then zero 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: Good afternoon, everybody and welcome to the Earnings Conference Call for Sutlej Textiles and Industries Ltd for the Fourth Quarter and Full Year FY '23. I trust that you are all doing well.

With me on the call today Mr. Updeep Singh, President and CEO of Sutlej Textiles and Industries Limited and Stellar IR Advisor of our Investor Relationship team. We have already uploaded the Investor Presentation, and I hope everyone had an opportunity to go through the same. Let me start the call by giving you the financial highlights of the quarter and financial year gone by, after which Updeepji will discuss the business highlights as well as the industry highlights.

As you are aware, for the textile sector, last 2 years have been extreme. While FY '22 has been a phenomenal year, FY '23, especially the second half of the year has been challenging. While in the past, the sector faced on either side, the demand side, and the price of our inputs. We are in a unique position where geopolitical events and overall inflationary pressures are causing challenges for the industry on both the demand and volatile input costs.

At Sutlej, our focus on building a company that can weather these challenges are bearing fruit. With a multiproduct, multi-market fungible manufacturing setup and our relationship with our long-standing customers, it has helped us withstand some of these headwinds facing the industry and our levels are testament to that.

Now for the full year FY '23, our consolidated Total income came was flat at INR3,100 crores compared to FY '22. This can be attributed to a weak third and fourth quarter demand for the year gone by and led by subdued demand in our overseas markets.

Consolidated EBITDA for the year was INR286 crores, 31% lower than the INR414 crores reported in FY '22. EBITDA margin stood at 9.23% in FY '23 as against 13.31% in FY '22. The main reason for the decline in EBITDA was higher raw material prices on one hand and lower export demand, which led to pressure on the realization.

Now, I'll move to Q4 FY '23 results: Our consolidated total income was INR752 crores, which was lower by 17%, while EBITDA stood at INR34 crores, which is lower by 75%. EBITDA margin for Q4 '23 were 4.46% as against 14.71% in corresponding previous quarter. I would like to reiterate that the performance of Q4 '23 seems muted since in the corresponding previous quarter, that is Q4 '22.

We operated in a buoyant business environment where the demand was up big, and we could pass on the higher raw material prices. On a sequential basis, however, Q4 '23 witnessed 12% growth in total income and 62% growth in EBITDA compared to Q3 '23, thereby showing signals of some revival. As we have been updating you our efforts as strengthening our balance sheet continues, the debt to equity continues to remain below 1% and current rate is around 0.86x. For FY '23, there was a modest increase in overall Debt levels by INR9 crores to INR951 crores compared to FY '22.

Those are my opening remarks. I now will request Mr. Updeepji to please take it forward with the business and industry updates.

Updeep Singh: Thank you, Rajib, and good morning, ladies, and gentlemen. I thank you for joining us on this call today. The Indian textile sector has seen its fair share of challenges over the years, and it has always managed to reinvent itself. These past few months, especially second half of financial year '23, has been extremely challenging.

While the world continues to be at the brunt of geopolitical tensions, we have seen unprecedented inflationary pressures in most developed economies around the world. This has impacted discretionary spending in some of these geographies, key markets such as U.S., U.K., and EU, continuing to see low demand growth and overhang of inventory. And in domestic market, too, I mean, this has created a pressure and the sentiments were weak due to inflation.

Textile and Apparel exports contracted 13.9% to 35.5 billion in '22,-'23 compared to $41.3 billion in the previous year, which led to T&A contribution to exports falling to 7.95% of the total exports from 9.79% the previous year.

One of the major reasons of this was that the entire system was carrying a lot of inventory due to poor offtake, and fresh orders have been recently resumed. These factors make operating environment for textile value chain, especially spinning extremely challenging. And coupled with the inventory overhang often translates into price fluctuations for raw materials as well as for intermediate products.

On the raw material front, cotton prices have come off its highs. And although yarn prices saw some weakness as a result, the overall spread remains under pressure. You are aware that some of the other raw materials used in our sector are directly impacted by the crude oil prices, which have also unfortunately been very volatile. Recent decline of cotton prices of almost 45% and crude oil prices approximately 35% or recent highs will help ease some of the price pressure on the textile value chain. We expect that overall environment will be tough through the first half of financial year '24 and begin to stabilize by the second half of financial year '24.

I mean, on the positive note as well, the Government of India has been taking steps to help in building strong textile industry by providing policy support, especially for building infrastructure for the sector. Some of the recent steps like a mega parks, FDA with Australia, such steps are a welcome move. We are also very keenly awaiting finalization of FDA with the U.K. and EU, both of which are large markets for Indian textile companies.

Now turning to Sutlej and our performance over the past financial year. As you would be aware, when we were in our previous capex cycle, we had made some strategic decisions that are of extreme help to us in today's scenario. Our fully flexible manufacturing facilities that can use both cotton and man-made fibers and in fact, all sustainable fibers, coupled with our green fiber plant, has helped us weather the storm to a large extent. This is perhaps our biggest strength and provides us with a strong platform to make use of best available resources for the growth.

Our current capex is expected to be completed by the end of financial year '25, and we are happy to report that we have made some good progress and things are on track. To sum up, we have had a good year that had potential to be better. However, with our well-placed multiproduct, multi-market focus, we will continue to add value to our stakeholders and hope for a good financial year '24.

With that, we can now take the questions on. Thank you so much.

Moderator: Thank you very much sir. The first question is from the line of Chirag Shah from White Pine Investment Management Private Limited. Please go ahead.

Chirag Shah: Three questions. So first question is on the home textile piece. So what is the thought process of the management on the home textiles, because since last so many years, 5, 7 years, we are hoping that things will revive, but it continues to drag. So why do you think we should continue the business and what is right to win in that business. I know you have gone through in the past, there have been certain troubles, but there seems to be fresh set of troubles now coming across and profitability is a challenge. So that is my first question. I'll come the next question after.

Updeep Singh: Okay. Thank you, Mr. Chirag Shah, and that is a good question to be asked as a investor. The home textiles, as we have been saying that it's a challenging business, because it is a business, which is more on the repeat order side, where the repeats have to be good. Now as we see that this year, we have shown on growth in the top line as well, I mean almost a growth of more than 40%. So here, we are now getting the traction from the export market, especially U.S., U.K., and Middle East, where our presence is now being felt, and we are getting a repeat business. So that is one premise, which holds us to -- I mean, work on this, this year and to bring up this business. That is one.

Second, with our cut service, we have seen that the volume of our cut service has increased. Last year, it was to the tune of almost 62,000 meters only, I mean when we started this. Today, we are at almost close to about 190,000 meters, which we would like to grow, because we are now putting up more collections. And more collections and more books in the market, I mean, would lead to more of the business, and this is a profitable business. So these are the two major things that we have, holds us that we should see on textiles as a growth area and a profitable area this year.

Chirag Shah: Sir, just a follow-up on this before I go on to the next one, so do you think that the current capacity of 190,000 meters that you indicated is still a subscale for you? And to be a sustainable profitable business, the scale needs to be much higher. And according to you, what is that number?

Updeep Singh: Yes. So if you look at, what I call, about 190,000 is only in the cut service. So I mean, our overall sales is more. This is only for this specific business or a specific segment that I talked about. And we anticipate that in this year, we will be doubling it, this particular segment I'm talking about.

Similarly, in case of exports, we saw in this year, a growth of almost, I would say, 30% in our export business in this business, in home textiles. And this year, again, we are looking at -- another 30% growth, and that all is a profitable business, and major countries like U.S., U.K., and Middle East. So that is what I said that these are the growth factors or the drivers, which are keeping this business for this year to see and grow this business.

Chirag Shah: The second question was on your margin. So if you look at last quarter, our reported margins are largely similar. Now you are assuming -- you're hoping that there will be some normalization. And from 3.5% of margins, we would go to around 7%, 8% or a high single-digit margin. Let me -- now is that drag on different margin only because of home textile or there is something else into it on the other part of the business, which is affecting it?

Updeep Singh: So it is basically because of the home textile business. Otherwise, if you look at spinning business, we are -- there is a difference. So I mean, we are on a better margin and spinning business. We hired what you see as a consolidated.

Chirag Shah: Can you indicate that number, if you can if you don't mind? Because we already have the EBIT number, right? I'm more interested on the EBITDA. In the segment we get the EBIT number, right?

Updeep Singh: Okay. It can be close to, I think, 6% or so. I don't have the exact figure of that on the specific business on the EBITDA. It could be that because if you look at our gross margin, it's just because of the realization that our gross margin is down by almost 2%.

Chirag Shah: And sir, last question, just housekeeping, we see lot of Notes to accounts, which includes certain provisions, certain reversal of interest subsidies. Can you just indicate how should we look at this? Is the issue behind? And why this reversal of interest subsidies came up?

Updeep Singh: See, first of all, to answer your first question, yes, the issue is behind. Now to answer your second question on the reversal of interest. Actually, see, there were certain subsidies under the TUF scheme which we had claimed as an integrated unit, spinning and knitting. And at that time, it was -- and we saying this was based on the capacity, whereas it was clarified later on that it is not on the capacity, it is on the investment. That the investment in both the sectors have to be commensurate rather than the capacity being commensurate.

Moderator: The next question is from the line of Prerna Jhunjhunwala from Elara Securities. Please go ahead.

Prerna Jhunjhunwala: I have two questions on the numbers. First one is on your volumes. So if I look at volumes on a Y-o-Y basis, they have almost fully recovered. But the margins continue to be still lower. So could you just give us an understanding about how are the spreads in the market and why the profitability is still lower despite similar volume because if volumes have picked up this demand was still there. So what helped you sell more in this quarter versus Q3, how demand has picked up? And what are you seeing in the next 1, 2 quarters to happen?

Updeep Singh: Okay. Thank you, Prerna, for this good observation and question. Now to answer your first question, that in Q4, we could sell more. I mean more I would say a little bit more in terms of domestic. And about 1% more in case of export in terms of the quantities of yarn.

See, let me tell you one thing, that during this period, when the capacities were being curtailed by the people in this industry, we thought that we should be running it because we'll be able to sell it. So as a result, that we did not stop much of our capacity because this was costly affair for us to stop the capacity, and we kept on producing. And we explored certain markets which were earlier a little bit unexplored as far as we are concerned.

So that is why we say that in export, whereas we found that in certain markets, we are not able to sell because of the subdued demand, we opened up some other market, number one.

Number two, instead of concentrating mainly on apparel, we looked at just adjacent segments as well. For example, we could sell good quality of yarn in our home textile segment as well outside India. I mean, in some countries, we could do that as a yarn. And also within apparel also, we're little bit concentrated on the sweater industry. So as a result, the export of yarn for us was not too much impacted, although we have shown a decline of almost 1%.

On the domestic side, I mean, again, we explored a little bit more apart than the PV segment. So as a result, that helped us to some extent. However, there were a lot of pressure on the margins as well as the realization because the realizations were really low because you saw that when the cotton was trading very high and the cotton -- yarn was not selling, there was pressure on cotton yarn. Some of the spinners converted to polyester and polyester viscose. So as a result, there was a competition created -- added competition created in this segment.

And the good thing is that some of them had to exit very soon because it is a different product segment. So that resulted in lot of pressure on the realization in the market, especially in the domestic market. That is number one.

Number two, there was a lot of import of synthetic yarn from China as a grey yarn. So people converted instead of having dyed, they converted on the top dyed. So this again resulted in some segment in some, I would say, the clusters where there were a lot of import of synthetic yarn as gray and then woven and top dyed. So that resulted mainly in the realization. So as a fact that while protecting our sales in terms of volume, we had to lose on the realization. As a result, it was a decline in the gross margin.

Prerna Jhunjhunwala: That answers it very well, sir. Sir, if I want to understand the profitability in cotton versus blended today, how would that be?

Updeep Singh: When you say blended, what does it -- you mean the cotton blend?

Prerna Jhunjhunwala: Yes, cotton blend, maybe PV, PC as well.

Updeep Singh: Actually the profitability in case of cotton blend. See, we are not into the grey segment. So we are basically in dyed and melange. So cotton melange has started moving a bit. And there, the margins are of course depressed. But in case of grey polyester cotton, although presently, there is a pressure. But in the past, we have seen that people -- I mean, there the margin was better. Now we find a better margin in our dyed cotton, in a melange yarn as compared to grey yarn.

Prerna Jhunjhunwala: Okay. And sir, what gives you confidence that things will move in second half? Because generally, when demand shifts or becomes muted, we've seen that it generally takes a little longer time to come back. So what gives you confidence that second half will be better than first half?

Updeep Singh: Okay. Another good question because we all say that second half is -- it is expected to be better. The reason being -- I mean, as we talk today, what I foresee is that, see, we are seeing last 2 quarters were really depressed. And this quarter or the next quarter could be a little depressed. But then number one reason why we say that H2 would be better because the inventories at the retailer level have almost depleted. This is what it is.

What is known in the industry, number one. As a result, there is a pickup in demand initially in the home textile sector. You would have seen that even in this quarter, the home textile companies have performed well, especially in Bed and Bath. So they have started to move up. And we envisage that apparel would follow. Because there is a shift now. I mean, with the depletion of stocks at the retailer level, we feel that now there will be ordering.

The only difference is that their orders would be on hand to mouth. So now they won't order -- we expect that they won't order for 6 months to 8 months or something like two seasons ahead. There will be whatever is required in the near future, say a quarter. And this has also put pressure on us as manufacturer to deliver, to curtail our delivery cycles. The two impacts which we have seen now, which will also help in H2 would be, one, the curtailment of delivery cycle, second, I would say, smaller lots. These are two things which will factor any -- for good for any manufacturer. And we see that the demand will increase, but we'll have to do these two things, therefore.

Prerna Jhunjhunwala: Okay. Understood. Sir, two more questions. One, on your recycled plant that you invested into manufacturing fiber, if that plant would not have been there, what would have been the performance of the company? I mean, how it is benefiting in current scenario is what I would like to understand.

Updeep Singh: Yes, two things in this, Prerna. Number one, I would say, yes, it has contributed positively in this scenario because we have control over the raw material. And second, I would say this has also led us to a little bit better performance in terms of operations, in terms of spinning. Our efficiencies are better because we know the quality of the raw material coming in, where outside what we hear is that people are really facing challenges in -- when they buy from outside and use the spinner. We have been doing that in the past. But this year, we see that this plant has really contributed for us. And this has come very handy in these times.

Prerna Jhunjhunwala: Sir, are you seeing higher demand for recycled yarn because most of the global brands are facing targets to at least make 50% of their products from recycled -- sell from recycled products? So

Updeep Singh: So I would say, definitely, yes. But we have to look at little deeper on the recycled definition. Having RPET recycling is one part of recycling. The other could be on more of the circular side, that is the post-consumer waste. So, I would say the demand in post-consumer waste will also increase. That is what we envisage because the brands are also interested in that. So, this RPET is okay, that is fine. But the more thrust will also come on the post-consumer waste.

Prerna Jhunjhunwala: Okay. And so how is the knitting investment doing? What are your plans there?

Updeep Singh: See, as of now, I would say that knitting -- because there was a subdued demand in the melange sector over the last quarter. So it was little subdued, but we -- envisage that because having a knitting has advantage that we are selling as a fabric also. So going forward, I mean just when the things get better for us in terms of the sector performance, we would definitely explore the possibility to go full throttle in the segment.

Moderator: The next question is from the line of Vikram Suryavanshi from PhillipCapital. Please go ahead.

Vikram Suryavanshi: Sir, can you just update on our capacity expansion plan, where we are right now and progress on it?

Updeep Singh: Yes. Thank you, Mr. Suryavanshi, for the question. On the plan, we are -- as of now, we are on the plan, and I must convey this that we have already got the land in possession. Yesterday, we signed the lease deed. And the things are in place, and we are now in the process to finalize our capex for the same.

Vikram Suryavanshi: Okay. And now you already highlighted about the demand recovery possibility in the second half, but as we are putting, I think most of player -- spinning guys have continued to do the capex plan, structurally, how do we see in terms of opportunities for India as well as the industry as a whole. And probably if you can -- basically outlook on the recovery for your sector?

Updeep Singh: See, I mean the major contributor to recovery of Indian textile sectors would be the raw material, the cotton. How the cotton goes in the next two quarters of the new crop when comes in, how it behaves, I mean, in terms of the prices. That is on the raw material side. That is a major portion. Other on the demand, as I said during my last answer, that the demand is going to come up over the next, say, I would say, 2 or 3 quarters in terms because the retailers have depleted their inventories. The only difference would be that it will be a short demand.

It won't be that long demand for 6 months or 8 months. It will be a hand to mouth demand for at least, I foresee, for at least 2 to 3 quarters. But thereafter -- as you know, textile is a cyclical industry, so we feel that as the geopolitical situation also improves if at all and also the fluctuation in the raw material pricing are a little less. I think this sector would come back.

In addition to this, for India, I mean the advantage is impetus by the government. I mean, announcing of these parks and thrust. And also, I would say the approach of Ministry of Textile and related ministries. We have seen a big shift. And we all feel encouraged by the response we get from the government even in doing the business.

Vikram Suryavanshi: We have also seen that the government is also pushing for technical textile,PLI scheme also use promotion for technical textiles. So the kind of yarn we are sourcing, are we seeing technical textile could be of one of the driver for us that we are quite a specialized one. So if you can give some outlook on that?

Updeep Singh: Yes, definitely, yes we see technical textile government is giving a push to that. That is nice and people are getting into this. Because this is, to be very honest with you, either a very low-investment business, high gestation or a very, very high investment and high gestation. So I would restrict my discussion only on the low investment and high gestation period.

Yes, definitely, we have not explored this market with our yarns, and I'm happy to inform that on technical textile front also, we have got in couple of customers, and we are doing high value-added yarn for them. Right now, in little, smaller way, I mean, they are not in the magnitude of hundreds of tons. But definitely, yes, we are getting there. We are quite hopeful that some part of our business should get into technical textile yarn.

Moderator: The next question is from the line of Amit Agrawal from Leeway Investments. Please go ahead. As there is no response from the current participant, we move on to the next question, which is from the line of Rahul Sony from ICICI Bank Limited. Please go ahead.

Rahul Sony: So I have a few observations, so which I'm not able to understand. You have in your presentation; you are showing that your capacity utilization has gone down to 91% from 94% and 95% Q-o-Q and Y-o-Y. However, still the yarn volumes have shown good uptick, both on Y-o-Y and Q-o-Q basis. So obviously, this is not the production. So if you can provide some...

Updeep Singh: Yes, thank you, Mr. Soni for good observation. See, I would say that in textile and spinning of yarn, it depends on the count range. At what counts and what product we are spinning. Even if we may have lower capacity utilization in terms of number of spindles, our kilos would have gone better because the count is coarser and to balance the machineries at the ring frame stage, sometimes you have to look at what is the preparatory for that. So although there could be little correlation. There is not too much of a correlation between the kilos produced and the spindle used. It is subject to the count range.

So in this period, our count range was a little coarser so as a result, the spindles used were less and kilos produced were either the same or the more. That is the reason.

Rahul Sony: Okay. And second question is, sir, like your volumes have picked up both Y-o-Y Q-o-Q. However, the market, there was a slowdown in the export market. Still, you were able to report higher volumes but there was a decline in margins. So can you give some idea on your -- what was the realization? Or what was the decline in realizations compared with the decline in the cotton prices -- movement in a cotton prices Y-o-Y and Q-o-Q?

Updeep Singh: Yes. To that extent, yes, I mean I would say this is a right observation because if you would have noticed, in case of volume, we are up by 5%, whereas the realizations have declined by 21%. So that is the reason because our average realization has come down, number one. Number two, if you compare the cotton, see the cotton prices, we being in melange yarn, so sometimes, these are not very direct with the raw cotton prices.

But because of the subdued sort of pressure on this, we had to shift our product mix from 100% cotton to blended cotton. In case of for example instead of 100% cotton melange yarn to polyester cotton melange yarn, where the value is less. But we could still sell. So that is where we lost on the realization as well.

Rahul Sony: So what was decline in realization compared to Q-o-Q?

Updeep Singh: If I remember correct, yes, Q-o-Q, if you look at between Q4 of '22 and Q4 of '23, if you're asking that...

Rahul Sony: 21%, you said Y-o-Y decline.

Updeep Singh Yes. That was Y-o-Y. And the Q-o-Q, if you look at, there was a decline of almost 5% to 6%.

Rahul Sony: Okay. So -- and sir, the product which we are manufacturing, they are specialized kind of yarns. So what is the price difference compared to normal cotton yarn and our products?

Updeep Singh: See, it is -- if you look at a normal cotton yarn, which count if you talk about, the spread in our case, I would talk of spread rather than actual price because see if you see the spread in a normal cotton yarn, sometimes the spread is INR30 to INR40. In case of melange, this has -- this could be as low as INR70 or INR75. And as high as INR120, INR135. So there is a difference in spread.

And it also depends on if China starts importing, I mean, grey cotton yarn, the prices move up. So there is no direct correlation, if I have to say, between the realization of cotton yarn, gray and melange yarn. Of course, the melange yarn realisation has to be higher. The spread has to be higher.

Rahul Sony: Okay. Sir, just one last question. So what's your outlook on the cotton and cotton yarn prices in the backdrop of recently Cotton Association of India has cut crop production for the current season. And also there is a slowdown in the market?

Updeep Singh: Yes. See, for the current season, like Cotton Association has given an estimate, I think, of 303 lakh bales. And whereas they have -- the mill consumption is shown as 311 lakh bales. So there is, in fact, more consumption, and there is an export of almost 25 lakh bales. If you put all this together, the closing stock is going to be little, I would say, relatively tight. So I feel that the overall outlook for cotton would be little subdued, but this, again, would depend on weather, like if -- for example, if we have range now when the crop is coming up, it may also adversely impact the crop. So weather is one of the major reasons which will impact the outlook of cotton. That is one.

Then the second is, if China wants to -- if China gets into the business and gets more cotton, then the prices definitely are going to, I mean, stay little in the range bound. But overall, personally speaking, I feel that the cotton outlook would be a little subdued, range bound to subdued in terms of pricing.

Rahul Sony: So you mean prices are going to decline this current year compared to last year?

Updeep Singh: I would say they are going to be stabilized in this way. This is what we anticipate.

Rahul Sony: But they're not supposed to go to the pre-pandemic level kind of...

Updeep Singh: I don't think so. I mean firstly, this is my personal opinion. Pre-pandemic of INR43,000 or whatever the price it was. I think we are now in a new normal.

Moderator: We have the next question from the line of Amit Agrawal from Leeway Investments. Please go ahead.

Amit Agrawal: My question is regarding yarn business margins. Are -- we are dealing basically in melange yarn but still, if you compare to the other manufacturers listed in the stock market, our margins are always lower than their margins. Any specific reason?

Updeep Singh: Yes, the reason being that we are in cotton melange, almost, I would say, 45% to 50%, rest is on the, I would say, synthetic. If you look at our margins were not ever high as, I mean in, I would say, 20s as far as EBITDA goes. But we don't even decline too much. As far as -- because we are having both synthetic and cotton dyes. So normally, under the normal circumstances, we should be remaining in anywhere between 10% to 15%, 16% under normal circumstances.

So the fluctuation in cotton -- grey cotton prices are much more. They go at -- the grey cotton profitability go up exponentially as you would have seen couple of years ago and come down also exponentially. So we are covered as far as the product mix is concerned by having both, we have almost 50% plus capacities on dyed synthetic. Dyed synthetic margins, we are basically what we call, we are governed by the market prices in terms of our product, in the value adding and also the raw material prices mainly because these are governed by the raw material producers like Reliance.

Amit Agrawal: So like is there a shift between the demand from synthetic to cotton because synthetic yarn business model had so high margins in last 2, 3 years as good as cotton?

Updeep Singh: I would say there is a shift the other way around. There is some shift from cotton to blended. As a result of very high cotton prices, we have seen that there is a shift towards viscose and also polyester. So that is this way. In synthetic, you see this synthetic is mainly -- I mean, going to the suiting industry, both for domestic as well as exports, I would say, the polyester viscose.

So here, the margins are not very high because these are governed by the raw material supplier as well. They are very few and then on the front end, on the marketing side, we have the suiting market, which is also very competitive. So as a result, the margins on the synthetic side are not too low and not too high.

Amit Agrawal: So do you expect the -- if the cotton yarn becomes a very biased market, then synthetic yarn business can keep us in good results?

Updeep Singh: That is what we could do that over the last couple of years.

Amit Agrawal: Okay. And then second question is regarding textile business. The textile business had losses and this business continuously at the same level. As a turnover is growing, do you expect that we should break even this year? Is it another 2 or 3 years before we start breaking even?

Updeep Singh: I don't think I will ask you toward that I will tell you that we'll break even after 2, 3 years. We should be doing it this year. I'm quite confident.

Moderator: Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to Mr. Updeep Singh, President and Chief Executive Officer for closing comments. Over to you, sir.

Updeep Singh: Thank you so much. Thank you, ladies, and gentlemen, and I thank you all for joining this call and reposing faith in the company and asking very, very pertinent questions. And I hope that we should be able to do better in the current fiscal year going forward.

Our entire team at Sutlej Textiles are behind it, and we are very sure that we will be able to better this performance. And in the end, I thank you all once more for joining this call, and all the best to you. And have a nice weekend.

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