

14<sup>th</sup> August, 2024

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

**Subject: Transcript of Q1FY25 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 ended 30<sup>th</sup> June, 2024 which was held on Monday, 12<sup>th</sup> August, 2024. The same is also available on the website of the Company i.e. [www.sutlejtextiles.com](http://www.sutlejtextiles.com).

The conference call held on 12<sup>th</sup> August, 2024, as per the Transcript enclosed, incorporates mainly the highlights of financial results upto 30<sup>th</sup> June, 2024, 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 Contractor  
Company Secretary and Compliance Officer

# sutlej

textiles and industries limited

Spinning excellence since 1934

## Sutlej Textiles and Industries Limited

### Q1 FY25 Earnings Conference Call

August 12, 2024



**MANAGEMENT: MR. S. K. KHANDELIA**  
**ADVISOR TO EXECUTIVE CHAIRMAN**  
**SUTLEJ TEXTILES AND INDUSTRIES LIMITED**

**MR. RAJIB MUKHOPADHYAY**  
**WHOLE-TIME DIRECTOR AND CHIEF FINANCIAL**  
**OFFICER**  
**SUTLEJ TEXTILES AND INDUSTRIES LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Sutlej Textiles and Industries Limited Q1 FY '25 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

This call may contain some of the forward-looking statements, which are completely based upon our beliefs, opinions and expectations as of today. These statements are not a guarantee of our future performance and involve unforeseen risks and uncertainties. The company also undertakes no obligation to update any forward-looking statement to reflect developments that occur after the statement is made.

I now hand the conference over to Mr. Rajib, Whole-Time Director and CFO. Thank you, and over to you, sir.

**Rajib Mukhopadhyay:** Thank you. Thank you very much. Good afternoon, everyone, and welcome to the earnings and conference call for Sutlej Textiles and Industries Limited for the first quarter ended 30th June 2024. I trust that you are all doing well.

With me on the call today is Mr. S.K. Khandelia Advisor to Chairman; and Stellar IR 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. Let me start the call by giving you the financial highlights of the quarter, after which Khandelia-ji will fill you in with the business highlights as well as the industry highlights.

Geopolitical tensions have disrupted the global supply chain and caused significant volatility in raw material prices impacting the man-made fiber industry. The sector is grappling with several challenges, including subdued demand, the Red Sea crisis, labor shortages due to elections and rising energy costs.

For Q1 FY25, our consolidated total income came in at INR 665 crores. Gross profit stood at INR 293 crores, which was higher by 9% on a quarter-on-quarter basis. Gross margin for the quarter stood at 44%, which is higher by 4% on a quarter-on-quarter basis. EBITDA for the quarter was INR 25 crores as against INR 13 crores in Q4 FY24. We are witnessing a slow and gradual recovery in our operations. Total long-term debt further reduced by INR 22 crores and working capital borrowing also reduced by INR 27 crores in Q1 FY25. Our debt-to-equity is maintained constantly below 1, around 0.81 as of now. Those were my opening remarks.

I will now request Khandeliaji to kindly take it forward with the business and industry updates.

**S. K. Khandelia:** Thank you, Rajib. Good afternoon, everyone. And thank you all for joining us on this conference call for today. The recent developments of heightened geo-political tensions in West Asia, political turmoil in neighboring Bangladesh, increased ocean freights, supply chain disruptions and recession fears in USA have exacerbated the already challenging business environment faced by the textile industry in general and spinning industry in particular. While the Indian domestic story remains largely intact, we are witnessing a lower-than-expected increase in demand ahead of the festival season.

We are focusing on improving our efficiencies, cutting costs and fine-tuning our product mix as per evolving consumer preferences in domestic and export markets. While we remain cautious, we are confident of weathering all the challenges, led by our strong foundation and agile organization, a strong balance sheet and our customer-centric focus. Thank you.

**Moderator:** Sir, should we go forward with the Q&A session?

**Rajib Mukhopadhyay:** Yes, please.

**S. K. Khandelia:** Yes, please.

**Moderator:** The first question is from the line of Akshay Malani from MA Investment.

**Akshay Malani:** Sir, I have a couple of questions. So to start with, we have been reducing losses for the past few quarters from INR26 crores to INR11 crores and we expect positive numbers in coming quarters?

**S. K. Khandelia:** We have been improving efficiencies, cutting costs and market conditions are continuing to be challenging. So far as your question that going forward, of course, we do hope, but the situation continues to be very challenging. As I mentioned say in export markets, say in cotton and cotton blended melange, Bangladesh is one of our important market. Similarly, for exports, we are about 1/3 always in the exports. So ocean freights are very high. There are so many geo-political challenges.

In domestic market also overall textile, whether it is from yarn to finished fabrics and garments, there are significant quantities being exported. And if that is under challenge, then naturally the pressure comes on spinning also.

So challenges are there, visibility is not there. So it is very difficult to say. We have been improving quarter-on-quarter, let's see how does it work out.

**Akshay Malani:** And also, sir, as you mentioned about Bangladesh recently, there have been a couple of things happening about Bangladesh, so many international buyers are looking for alternative supplier. So what do you think how this can help us?

**S. K. Khandelia:** I think Bangladesh has already started. Factories have already started working and things are getting normalized there. When China Plus One policy came and such type of things, the diversion is not so easy. It takes a lot of long time. And then you need to have larger capacity

and Bangladesh is definitely much more efficient in terms of costs. They have been doing particular type of garments and India has been doing specialty type of garments.

There is some difference. Temporarily, there can be some benefit, but I think Bangladesh's major revenue is from the garment and textile industry only so they will come back. So there is not going to be a major benefit immediately. But of course, whenever any buyer is there, he always thinks that what alternative I can have. And that way large garment manufactures of India and entire textile industry to some extent, may benefit, but not very big.

**Akshay Malani:** Okay. And sir, also now to our business part. So can you give us some update on our home textile business, and how much revenues are we expecting going ahead?

**S. K. Khandelia:** In home textiles we have curtains and upholstery. 3 years back, we had started our own cut service, and that is picking up. If you take 3 years data, you will find that our losses have been going down, and now we are EBITDA positive in that business also.

It takes little time because it's a cut service. It's a specialty type of business which is improving bit by bit. And hopefully, going forward, it will improve further.

**Akshay Malani:** And sir, have we seen any extended demand on the export front?

**S. K. Khandelia:** About home textile, yes. In exports, so far, our products, which we manufacture curtains and upholstery, our exports are growing little bit there. We are seeing better demand there.

**Akshay Malani:** So any number are you expecting or you are just going with the organic growth?

**S. K. Khandelia:** The number I may not be having right now here. But exports, if I say, it's about 5%, 10% growth in export numbers.

**Akshay Malani:** 5%, 10% growth in export numbers?

**S. K. Khandelia:** In home textile.

**Akshay Malani:** So sir, to continue with our discussion. So last quarter, you mentioned you have roughly 36 collection in the market for Nesterra, right?

**S. K. Khandelia:** Yes.

**Akshay Malani:** So have you increased any new collection or what's the status on it? How are we seeing the numbers on those 36 collections?

**S. K. Khandelia:** We have already launched 36 collections and every year we are launching 12 new collections. So this year also, we will be launching 12 new collections and normally one collection has a life cycle of 5 years. So up to 60 collections, we will continue to launch, and we will continue to launch every year. Old collections are withdrawn normally after 4 - 5 years. And new collections are always there.

So there will always be about 50 - 60 collections in the market. As we are going along, as I mentioned last time, we have opened a warehouse at Panipat also, so that for the North markets, delivery is faster from there. That is also showing improvement.

**Akshay Malani:** And also, sir, as we are backward integrated and forward integrated and recently, we are going to get subsidy on a green fiber unit as well. So any update on that?

**S. K. Khandelia:** No, there is no subsidy on green fiber, except that it is preferred fiber because of sustainability. So that is already there. Plant is already working. So there is nothing, no new initiatives there. So we are only consolidating whatever we have right now.

**Moderator:** The next question is from the line of Shruti Vasani from Stellar AMC.

**Shruti Vasani:** I wanted to know the overall what is the outlook on the sector now. And what are the growth drivers that we should track further for Sutlej?

**S. K. Khandelia:** At present the outlook for the short term is little hazy. As I mentioned in my opening remarks, there are a lot of geopolitical tensions are going on. And about 1/3<sup>rd</sup> of our products are being exported. And for the textile industry as a whole also, a lot of products are being exported. So if the exports are facing challenges and due to that there is pressure in domestic market also. So this is as of now, the position is a little bit challenging and hazy, visibility is not there. But definitely, India is present from the fiber to fashion. I hope that India should have a good future in the textile business.

**Moderator:** The next question is from the line of Akshay Malani from MA Investment.

**Akshay Malani:** I had 2 more questions. Sir, as we were planning for additional capex, so any update on that? Have you decided anything how much are you going to spend and anything like that?

**S K Khandelia:** No we have not. Earlier we had planned for one new project and that we had already dropped and that was informed in the last meeting itself. And there is no visibility as of now. So for the time being we have dropped that and whenever the opportunity will come, we will again look into that and we keep on exploring. So routine capex is going on as per plan because we have to keep our plant always updated. That is a normal regular process. No new plant is being put up right now.

**Akshay Malani:** No is there just any specific reason for not continuing that plan or?

**S K Khandelia:** We have already dropped that because it was INR 800-900 crores project. And since the visibility of the textile market is not there, and we may think of something else, we keep on evaluating. On evaluation we found that it is not the right time to go ahead with such a huge project. So that's why we dropped it.

**Moderator:** Ladies and gentlemen, as there are no further questions, we have reached the end of our question-and-answer session. I would now like to hand the conference over to the management for closing comments.

**S. K. Khandelia:**

Yes. Thank you very much. Though there may be temporary challenges in the textile industry and spinning industry in particular, but I am hopeful that going forward as in the past, things will be better. And again, we will get to the earlier level of EBITDA and profits. Thank you.

**Moderator:**

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