sutlej
textiles and industries limited

SUTLEJ TEXTILES AND INDUSTRIES LIMITED
Lotus Corporate Park, 'E' Wing, 5th/6th Floor,
185/A, Graham Firth Compound, Near Jay Coach,
Goregaon (East), Mumbai - 400 063.
Phone : (022) 4219 8800/6122 8989 Fax : (022) 4219 8830
E-mail : info@rtmyarn.com Website : www.sutlejtextiles.com
CIN No. : L17124RJ2005PLC020927

February 20, 2018

M/s. Bombay Stock Exchange Limited	M/s. National Stock Exchange of India Ltd.
Phiroze Jeejeebhoy Towers Dalal Street, Fort Mumbai 400 001 Fax No. 022-22723121/719/22702037/39 **Scrip Code: 532782**	Exchange Plaza, 5th Floor, Plot No.C/1, G-Block, Bandra-Kurla Complex, Bandra(E), Mumbai 400 051 Fax No. (022-2659 8237/38) **Scrip Code : SUTLEJTEX**

Dear Sir / Madam,

Subject: Transcript of Q3 & FY18 earnings conference call held on February 12, 2018

Pursuant to the Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, kindly find enclosed a transcript of the Q3 & FY-18 Earnings Conference Call which was held on Monday, February 12, 2018. The same is also available on the website of the Company i.e, www.sutlejtextiles.com.

The Earnings conference call held on February 12, 2018, as per the Transcript enclosed incorporates mainly the highlights of financial results upto December 31, 2017, and other related information which is already in public domain and/or made available / uploaded on the Company's website.

Please take the same on record.

Thanking you

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

Manoj Contractor
Manoj Contractor
Company Secretary and Compliance Officer

SUTLEJ TEXTILES AND INDUSTRIES LTD.
Bhawanimandi (RAJ.)

"Stellar Textiles and Industries Limited Q3 FY18 Earnings Conference Call"

February 12, 2018

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

Moderator: Ladies and gentlemen good day and welcome to the Sutlej Textiles and Industries Limited Q3 FY18 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 the operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Bipeen Valame-Whole Time Director and CFO, Sutlej Textiles. Thank you and over to you sir.

Bipeen Valame: Thank you and good afternoon everyone who has joined this call. I welcome you all to the earnings conference call for Q3 and nine-months results of Sutlej Textiles for financial year 2018. I have with me, Shri. S. K. Khandelia Ji – President and CEO and Stellar IR Advisor, our Investor Advisor firm. The investor presentation has been already uploaded on the exchange and I hope everybody had an opportunity to look at it.

The first nine months of FY18 were challenging for the company and for the textile sector as a whole due to various factors including demonetization and GST implementation which had an adverse effect on unorganized textile sector further subdued demand in both export and domestic market and reduction in government grants as stronger INR against USD has impacted the margin.

During Q3 FY18 the company reported total income of 604 crores as against 546 crores for Q3 FY17. For nine months 2018 total income stood at 1877 crores which showed 12.47% year-on-year growth against 1675 crores in nine months FY17. Sales volume for yarn during nine months FY18 stood at 79,321 metric tons compared to 73,460 metric tons for nine months FY17. Recently we have also invested 4.5 million in wholly owned subsidiary in USA and computed acquisition of design sales and distribution business along with brands of American Silk Mill, USA which is another milestone completed to strengthen our Home Textile portfolio. Export sales stood at 448 crores in nine months FY18 as compared to 437 crores in corresponding previous year. Export as a percentage of overall sales stood at 29.62% for nine months FY18 as compared to 26.45% nine months FY17. We export to more than 65 countries across the globe.

EBITDA margin for the quarter was 67 crores with the margin of 11.08% as compared to 71 crores with the margin of 12.94%. The nine months FY18 EBITDA reported is to 28 crores with the margin of 12.15% as compared to 249 crores with 14.88% for the previous nine months FY17. The company reported a net profit after tax of 16.35 crores for Q3 FY18 as compared to 27.67 crores Q3 FY17. During nine months FY18 Sutlej recorded a net profit of 103.35 crores as against 124.67 crores in corresponding period previous year. EPS for nine months is 6.31 per equity share as against 7.31 per equity share in nine months FY17.

With this I would like to hand over to Shri Khandelia Ji for his comments.

S. K. Khandelia: Thank you Bipeen. Good afternoon to all of you. I am happy to be with you once again on this conference call and thank you all for joining us. First of all I am happy to announce that Sutlej has been awarded Gold Trophy by Text Council for highest exports from the country of processed cotton yarn that is Melange Yarn, Dyed Yarn and other processed yarn for FY16-17. We have also received silver trophy for exports of synthetic and blended yarn from Synthetic and Rayon Textile Export Promotion Council.

Now I turn to the working results for Q3 FY18 and nine months FY18; as mentioned by Bipeen challenging business environment continued in Q3 FY18 also, both in domestic and export market. In case of domestic markets the entire textile value chain like weaving, knitting, processing, garmenting, retailing etc. are mostly in unorganized sector and are segmented. They are finding it difficult to cope up with new GST design. They are finding it difficult to get working capital from banks due to not having credit history as they were part of informal economy. Besides they are facing GST compliance related difficulties. There volumes have come down significantly resulting in subdued demand creating demand supply mismatch. This is putting pressure on prices and margins have squeezed. Exports of fabrics and garments from India also reduced due to reasons which I'll explain later. This also reduced demand for yarn in domestic markets. In case of exports the strong rupee and reduction in export incentives from 11.5% to 2% from 1st October 2017 were the spoil spots. Due to poor domestic demand mills tried to sell their products into exports creating supply pressure there also. On the other hand rates of polyester fiber which is one of our major raw materials was continuously increasing. Other input cost like power and coal also increased. This could not be passed on to market fully due to bad market conditions. Despite these challenges we have been able to fully utilize our capacity and could sell the entire production due to varied product mix including value added yarns, strong and diversified customer base in domestic as well as in export market. In nine months of FY18 our revenue has increased by 12% and exports have increased by 29%.

Now turning to Home Textile division; it is a luxury and fashion business. It is a discretionary spending segment. First on account of demonetization and then due to implementation of GST markets are badly disturbed because most of the retailers were part of informal economy and they are taking time to be part of formal economy. Since there was never any tax on fabrics there were not listed with any indirect tax facility and were not used to taxation and therefore were facing serious difficulties in compliance of GST. As due to these reasons the demand was lackluster and margins were under pressure. We firmly believe that in Home Textiles there is vast opportunity ahead in the domestic market and export markets. Major players in the US are outsourcing their furnishing fabric from China and would like to shift to countries like India for its cost efficiency and quality of design. We are getting ready to reap the benefits in future course which we are working on strategic alignment of Home Textile business. We are in the process of strengthening marketing team at Home Textile with international presence through agent's network. We are also exploring possibilities of institutional sale which is in another with market. We are committed to Home Textile business and acquisition of American Silk Mills USA is an example. ASM is a boutique firm with designs, sales and distribution business. ASM did well in first two months with revenue of around US$1.5 million with margins of 14%. We would be consolidating results in March 2018. We have stabilized the production of our new Melange capacity of 35,000 spindles at our Bhawani Mandi facility. However due to bad market conditions we could not get full advantage of the same this year. Similarly in case of Home Textile expansion which was also completed at the end of financial year 17 we could not take full advantage due to bad market conditions on account of demonetization and then implementation of GST. Consistently about 50% of our capacity is being used for job but at present in which are able to cover only variable expenses.

Going forward these new facilities of Melange Yarn and Home Textiles will add to the bottom line once the market stabilizes. We have always focused on consistent performance and cost efficiency and clean environment. We have completed the installation of 2.1 MW solar roof top plant in our new unit resulting into saving of about 32 lakh units per year and that will be green energy and very negligible cost will be there for the 32 lakh units per year. Our philosophy is to protect the capital of our investors more carefully and believe in taking well informed decisions and strategies. We have and announced 80 metric tons per day green fiber project and the most of this will be consumed as a captive consumption.

I am pleased to inform you that to further strengthen the leadership team, we have recently taken Mr. Updeep Singh as deputy CEO of the company. Mr. Updeep Singh is having more than 23 to years of experience in Textiles. Before joining to Sutlej he was working as Managing Director, Itema Group, a leading Italian Textile Manufacturing company. His experience includes in senior leadership positions in various leading textile companies such as Welspun, Vardhaman etc.

At Sutlej with our great team and vast industry experience, we believe that we will continue to maintain our niche and endeavor to go to new heights in future. This is briefly what I had to share. We can now take the questions. Thank you.

Moderator: Thank you. Ladies and gentlemen we will now begin with the question and answer session. We will take the first question from the line of Manish Ostwal from Nirmal Bang. Please go ahead.

Manish Ostwal: My question on the export demand trend especially things are improving on the demand side or any customer specific issue we are facing in the market? And secondly to compete the pressure in other countries that also playing out in terms of losing market could you highlight on that side?

S. K. Khandelia: Exports market is doing well but the only problem is the strong rupee and the reduction in export incentives by Government of India from October and these things are taking little time to getting stabilized in the market and since we are in the niche quality products like Melange Yarn, value-added yarns and we hope that going forward the price parity of taking into account all these things will come up and there should be the better margins going forward.

Manish Ostwal: We do not have any issues with the customer, right?

S. K. Khandelia: No, we don't have any issue with the customers.

Manish Ostwal: You did comment about power cost increase during the quarter, so can you tell me what is the power cost per unit in this quarter versus Quarter 2 and Quarter 3 of last year?

S. K. Khandelia: The power and fuel taken together as you know the coal prices have gone up very high and the average power rate I may not be able to give quickly but DISCOMS have increased the rates of the power and we will inform you the actual increase in the power rate.

Manish Ostwal: On the average raw material cost in 9M FY18 in terms of cotton, polyester, and VSF for our business per KG basis.

S. K. Khandelia: Nine months the polyester rate is about Rs.88 per kg net which was Rs.88.99. But the difference is last year it was inclusive of 12.5% excise duty which is now part of the GST. So if you reduce 12.5% out of that it will be about Rs. 75 against then it is about Rs. 88 per kg so far polyester is concerned. In case of viscose fiber which is one of another major raw material against Rs. 172 it is 171, so more or less the same. In case of cotton, it was Rs. 109 which is increased to Rs. 124 for nine months. This is the position of the cotton.

Manish Ostwal: 174 versus 109, right?

S. K. Khandelia: 109 was last year cotton and this year it is 124.

Manish Ostwal: What is our outlook on the raw material whether these rates will come down?

S. K. Khandelia: Polyester rates have already increased, so immediately I think stability should be there. In case of cotton at present it is around 41,000 per candy for Shankar-6 and earlier it has increased to about 43,000 so there has been some reduction. But I think these are likely to be range bound in coming months and it may vary from 40,000 to 43,000.

Manish Ostwal: You said the company is focused to improve the margin, so what are the levers do you see to improve the margin going ahead?

S. K. Khandelia: As I mentioned to you, last year we have expanded Melange Yarn capacity by 35,000 spindles which has the production of the same has been stabilized. But we have not been able to take full advantage of that because the market conditions were bad, so that in itself will add to the bottom-line going forward. Similarly the Home Textiles as I mentioned 50% capacity is being utilized on the job work only. We have not been able to utilize the full capacity for our own marketing because of the bad market conditions and it takes little more time in case of home textile to develop designs, etc. These added capacities will add to our bottom line. Similarly, we are giving focus on international marketing of Home Textile business, we have strengthened our marketing team and that will also bring additional bottom-line. Another thing is that we have declared the setting up of 80 tons per day green fiber facility which will reduce our raw material cost as we will be producing the green fiber 80 tons per day for our captive consumption and that should reduce our raw material cost. And another thing is that we continuously keep on focusing on new opportunities and that should also be in place going forward, so these are the levers. And the most important thing is that this year has been an abnormal year because of the bad market conditions on account of demonetization lingering effect then the implementation of GST. These things are bound to be stabilized going forward, so naturally we should reverse that to our earlier position and we should be able to get good margins going forward.

Manish Ostwal: In nine months how much CAPEX you have done?

S. K. Khandelia: About 50 crores. That CAPEX is mainly meant for modernization and debottlenecking.

Manish Ostwal: And expected CAPEX for FY19?

S. K. Khandelia: FY19 we have not yet firmed up. Only thing firmed at is 80 tons green fiber plant and on this the total CAPEX will be 110 crores and modernization and other things we have not yet firmed up.

Manish Ostwal: Any big inorganic investment possible in medium-term?

S. K. Khandelia: We always keep on looking inorganic investment also so as and when any opportunity arises We may think of that.

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

Ritesh Poladia: What is the utilization in Yarn and Home Textile segment for this quarter and the December ‘16 quarter?

S. K. Khandelia: So far is utilization is concerned utilization is full. We are running all our looms. But the problem is that 50% looms are for market and 50% are running on job work on which as I mentioned by me, we are able to cover only variable expenses. So once these job work looms are converted to market looms when the market stabilizes this will add to our earnings.

Ritesh Poladia: Earlier we used to give the realization in Home Textile also, can we have some benchmark for this quarter?

S. K. Khandelia: You want to know the average realization rate?

Ritesh Poladia: Yes, average realization.

S. K. Khandelia: We want to take the average realization rate of Rs. 150-160. This is normally which we are getting but going forward it will improve.

Ritesh Poladia: You give also that US subsidiary has reported about 1.5 million in first two months. What is the growth in the revenue for them?

Bipeen Valame: What we said is that in US subsidiary we completed the transaction on 6th of November. So management has decided and we have informed to stock exchange that we will be consolidating that position in March 2018. So what we said is that in last two months the performance of that US subsidiary was good in terms of the revenue, so we just gave a glimpse of it of around 1.5 million revenue. So right now there is nothing like the growth rate what is getting completed.

Ritesh Poladia: So can you give us what would be the run rate for the FY19?

Bipeen Valame: As you know that as a company policy we do not give the futuristic projections anytime. But our sense is that as US economy is gearing up for a growth after implementation of the tax rate cut, we are expecting that these markets should have good growth potential going forward.

Ritesh Poladia: Our Home Textile business, the major growth could be through this US subsidiary, is that understanding correct?

Bipeen Valame: No I would like to correct it here because as Khandelia Ji has explained that the first and foremost is that whatever expansion we have completed in Damanganga Home Textile we could not reap the full benefit because of the market condition. So strategically what we are doing is that we are actually putting better designers, we are also improving the marketing team and after getting this deep sync with the significant experience we expect that whatever expansion we have completed, we should see a significant growth going forward and better realization from Damanganga Home Textile. Add to that because some of the portfolios what US companies having different, so US will add more revenue going forward. So our focus is on both improving the realization and better utilization in Damanganga and also to see how we are able to take the benefit of general economic growth in United States going forward.

Ritesh Poladia: Can you give us some idea what would be the export in the Home Textile of this 90 crores revenue?

Bipeen Valame: We are having around 35% to 40% as export revenue in Home Textile that has remained almost at same level. Last time also we said in last quarter also it was 30%-35% which is almost the same level that we are seeing at this point in time.

Ritesh Poladia: And that would be to Middle East or USA?

Bipeen Valame: There also we are having number of countries. But as you said there we are having a large export to the neighboring countries and also to Middle East like Bangladesh, UAE, Dubai, we are also having export in those markets including Saudi Arabia.

Ritesh Poladia: So right now export would be largely to these countries?

Bipeen Valame: Yes in case of Home Textiles yes, you're right. But last time we said we have started doing some small export in United States and we are seeing probably going forward we should get repeat order which is independent of what we are doing with our US subsidiary.

Ritesh Poladia: Sir, one final question on your recycled plant. This is almost like a related diversification, does that mean that the capacity in Mélange, Jian and value-added yarn is getting saturated?

Bipeen Valame: No, not at all. You see last year only we have expanded 25,000 spindles on Mélange yarn capacity is 145,000 spindles. So Mélange yarn is a specialty yarn and for such type of yarn this capacity is a big capacity. So once this 35,000 spindles get adjusted in the market place then we can think of further expansion, for which at this point of time I cannot comment anything.

Ritesh Poladia: Sure. Sir, on this recycle plant what we understand is the major issue is of getting the raw material plastic bottles, so how do you…

Bipeen Valame: There is about present capacity about 40,000 tons to 45,000 tons per month, everybody is getting raw material so it should not be a problem for us also to get the raw material.

Ritesh Poladia: Okay. So you do not see that would be a problem?

Bipeen Valame: No, I do not think so. When anybody can get we will definitely get it.

Moderator: Thank you. Our next question is from the line of Awanish Chandra from Centrum Broking. Please go ahead.

Awanish Chandra: Sir, continuing our discussion on margin front, we understood raw material demand currency and everything, if I see sequentially we had a very good margin, 13.8% in quarter two, which has come down to 11.1% this time. So, sequentially what exactly has changed, because many things remain as it is between quarter two and quarter three except government incentive. So why there is such a huge drop, because if I see the top-line sequentially it is more or less the same, that I wanted to understand.

S. K. Khandelia: You see, as I have given number of reasons, it is not the only reason, I have given the major reason is the bad market conditions in domestic market, our 70% - 75% sale is always in domestic market. So major reason is the bad domestic market, because of the GST as I mentioned that many of these all weavers, netters, processors are in unorganized sector and they are taking time to get into the formal sector, and coming out of the GST related problems. So it is a matter of time because 70% - 75% is domestic market, so far exports as you mentioned that the duty drawback impact, since it has been changed only from October 2017 only it takes a little time to get the prices readjusted based on the reduce duty drawback. And since domestic market is bad the people are diverting their production to export market, creating there also a supply situation. So this is a temporary phenomenon and once the market stabilizes the prices will automatically take care of reduced duty drawback and things would improve.

Awanish Chandra: Okay. So, till such time situation remains as it is, we will be having around 12% margin in near-term and that will again go up when things stabilize, that kind of view we can take?

S. K. Khandelia: You see, even in these challenging times when many of our competitors and others have not been able to reach to positive profit after tax, we have been able to generate profit after tax positive and even we could maintain about 12% margins on such huge sales. So as I mentioned this is because of our diversified product mix, because sometimes some polyester section was badly impacted this time, but in cotton section also the market impact was there. So, due to bad market conditions were the major reason and since we have the diversified portfolio we could generate these margins.

Awanish Chandra: And one thing sir, purely from the numbers, if I see RM cost sequentially despite slight decline sequentially at the top-line, still our RM cost was higher. And we were expecting that at least quarter three being a cotton season we should have slightly better RM cost. So what went to higher RM cost, sequentially sir I am asking?

Bipeen Valame: Sequentially if you talk about this, raw material cost has increased. As I mentioned to you the cost of polyester has gone down which is one our major raw material. And in October beginning and other times the cost of cotton was also high, up to October, November, only November the cotton started coming down. So it is time for reduced cotton prices to transmit because some stocks are always there so the raw material costs have been higher despite lower revenue.

Awanish Chandra: Okay, understood. And sir on the home textile where you have mentioned that still you are doing 50% of the job work, so what is the difference between EBITDA margin when you do job work and when you utilize for your own design?

Bipeen Valame: So, Awanish, as we mentioned that in home textile the margins were under pressure mainly on account of bad market condition in home textile. And in case of the job work the margins are determined based on the per peak basis, so those are the margins as Mr. Shri Khandelia mentioned, help us only to cover some of the fixed cost or variable cost, but that does not add significant key to the bottom-line.

Awanish Chandra: Okay. So when we will be using 100% capacity for our own design what would be the normal margin from home textile business?

S. K. Khandelia: Yes, as we start moving forward and utilize our own capacity with our own marketing strength, the EBITDA margin I can say can go may be 20% or above, that is what is expected, because this business generally generates a better EBITDA margin than the other businesses.

Awanish Chandra: Okay. Last question on the competition, since demand environment you also mentioned is not great, so you must be facing huge competition in domestic and export both market. So are we taking some price cut to just avoid competition, what is your thought?

Bipeen Valame: See, we are facing abnormal competition this time due to bad market conditions and when the market conditions are bad we do not have that much pricing power which we used to have, so naturally it has been diluted to some extent and that has been reflected in our results. But these are the abnormal conditions due to such bad market conditions, these are not going to last for long, and again we will have a round pricing power because we are in a value-added segment, we are in dyed yarns, we are in Mélange yarns. So that gives us better pricing power even in these bad times we have comparatively better pricing power but not the entire pricing power which we used to have earlier.

Moderator: Thank you. Our next question is from the line of Abhishek Salunke from Trivikram Cosultants. Please go ahead.

Abhishek Salunke: Sir, in the segment wise EBIT margins the yarn EBIT margin is around 7% which is lowest since the last eight quarters. So, is it the new normal margin or you expect it to come to the past levels which was around 10% in the September quarter? And also in the home textile division there is EBIT loss of around 30,000, so what to expect from that line also?

S. K. Khandelia: As I was mentioning to you, even in the second quarter the margins were down as compared to earlier times, but second quarter was better as compared to third quarter due to the festival demand which was there which was not there in the third quarter. That was a temporary pickup in demand and that helped us. But otherwise the market continued to be bad, once market stabilizes I am hopeful we will revert back to our normal margins which used to be there earlier.

Abhishek Salunke: And in terms of home textile?

S. K. Khandelia: In case of home textile, as I mentioned it is discretionary purchases, it is even worse than the fabrics. You see, unfortunately our expansion capacity came at a time when demonetization happened, and GST implementation happened. So that was a bad time for margin expansion because of that we had to resort to run the factory, we were forced to go for job work. So this situation is not going to last forever and once the market stabilizes and in the meantime we have taken many steps and that should enable us to use our full capacity going forward for our own marketing and that will improve our margins as Bipeen has mentioned to 18% - 20%.

Abhishek Salunke: Okay. And another question is on home textile capacity utilization in terms of million meters in this December quarter.

S. K. Khandelia: You see, in terms of meters it may not be the correct thing, but our factory was running more or less to full capacity and the number of meter depends on number of picks, since in case of job work the number of picks per meter were higher and Bipeen will give you the figures of the production.

Bipeen Valame: So, if you see in case of home textile we still have, as Mr. Khandelia mentioned more than 75% utilization. And typically in home textile what we have seen is that capacity utilization goes up to 80% - 85%, it is not like yarn where we are able to go up to 95%. So we are seeing capacity utilization more than 75%, but major challenge what we saw is that the whole utilization remained at around 50%, rest of it remains on the job work.

Abhishek Salunke: And another question in on tax side, the annual tax rate for last two years was around at 17% and average tax rate for three quarters of FY18 is around at 32%. So in the fourth quarter should we expect MAT credit or deferred tax kind of thing to offset tax for fourth quarter which is what happened 4Q FY16 and 4Q FY17?

Bipeen Valame: Yes, so on tax rate you have to see we will remain in MAT. Now what you see as a spike basically is in deferred tax and that is also to unusual event, one is that last quarter we said that there was exceptional item of 41.83 crores which is combination of two points, one is that we are in preference share because we received preference share, so the tax provisions earlier made got reversed and that is the reason you are seeing the tax liability now which is unusual item we will say, which is having a significant impact. And secondly the RTM, the expansion what we completed in DJF and RTM, there is a tax which is a deferred tax liability which is getting created on. Current tax basis we do not see any challenge because current tax will remain in a MAT and this spike is basically because of the deferred tax, we are also carrying the MAT credit which we will be able to set up. And with new change at 15 years we are confident that we will be able to set up the full credit because 15 years RO has been granted in last budget.

Abhishek Salunke: Yes, so we will be back in normal soon?

Bipeen Valame: We will remain into MAT I am saying. So normal, yes, what you say is right. So this price rise in current year are there because of these two major events, one is expansion depreciation and secondly that preference share reversal.

Moderator: Thank you. Our next question is from the line of Arjun Sengar from Reliance Mutual Fund. Please go ahead.

Arjun Sengar: Sir, your average realizations for yarn in this quarter went up about 210 compared to 220 in Q2. This was despite increase in raw material cost. So this can largely be attributed to the market conditions or was there any change in product mix also?

Bipeen Valame: Last quarter Q2 2017 it was 221 in this quarter it was 214. We have some trading business also, so this is total including trading. So as I mentioned to you the duty drawback has come down, so that has pulled down the average realization. Then second quarter festival demand was there. And third, the bad market conditions has brought down the realization base. So despite increase in raw material cost there has been fall in the realization base.

Arjun Sengar: Secondly, in your sales what percent is directly to the brand?

Bipeen Valame: Which one?

Arjun Sengar: Your yarn sale in the domestic market.

Bipeen Valame: Domestic market was about 71% this time.

Arjun Sengar: No, I am saying what percentage of your domestic sales are directly to brand?

S. K. Khandelia: See, our customers are mostly like Siyaram, Grasim, Reliance, these are basically exporters and consumers of yarns, so they have their own brands. So I will not be able to give, our major sales 50% - 60% will be to these corporate customers.

Arjun Sengar: An balance would be distributors and traders?

Bipeen Valame: No, in case of yarn we do not sell any material to distributors, our entire yarn is sold to consumers basically, B2B sales.

Arjun Sengar: To the company, so we sell directly to Siyaram?

Bipeen Valame: 50% to 60% are big corporate customers and big exporters of brands, garments or their domestic consumption of fabric. And others can be unorganized sectors like Bhilwada, Ludhiana, these are the markets where big players are limited and those are unorganized and decentralized. So some of the sales are to those players. So 50% - 60% goes to corporate customers and big customers, and about 30% - 40% of domestic sale goes to such type of big markets, Bhilwada is a big market, Ludhiana is a big market, many customers are there. So our sales is decentralized.

Arjun Sengar: Sure. So that 30% - 40% is what is causing this market trouble, from the demand side?

S. K. Khandelia: No, even organized players are facing the problem. When the retail counter sales of fabric is less due to one reason or the other, retailer is not taking much interest, so the big corporate sales, but of course the unorganized sector is impacted more. Secondly, in case of textiles India is a big exporter of garments, fabrics and other textiles, so those exporters were impacted because the fall in the duty drawback rates and there exports have come down. And as a result of that temporarily the demand of yarn for their goods has also come down. So though they are exporting, but they are taking yarn in domestic market from us, that is also a big segment for us.

Moderator: Thank you. Our next question is from the line of Hardik Solanki from Moneybee Investments. Please go ahead.

Hardik Solanki: Sir, my question is majorly from home textile business, so I want to know what is our vision for home textile business, how much turnover we can achieve from the current capacity assuming that entire job work had converted into normal sale? And what additional CAPEX would be required to achieve the home textile turnover to 500 crores? Because what I can see is there is much more potential for home textile business where I can easily have a 454 from my current level of 100 crores business.

S. K. Khandelia: I think we do not require any major CAPEX next year, that is how the CAPEX has already been done. And our capacity on average picks per meter is about 9.6 million meters per annum, so we do not require any major… you see debottlenecking, modernization, such kind of CAPEX keep on going with us. So, as far as CAPEX is concerned as I mentioned we do not require any major CAPEX. And once the job work capacity also comes to our normal marketing level I think we should be able to have a turnover of about Rs. 200 crores in this segment.

Hardik Solanki: So from current capacity we can achieve Rs. 200 crores turnover?

S. K. Khandelia: Above Rs. 200 crores turnover we should be able to achieve, because there will be some value additions, new designs, new developments that will also add to the revenue. So taking all these factors into account, going forward it should be possible to achieve around Rs. 200 crores in this segment.

Hardik Solanki: And also if you want to increase to Rs. 500 crores, how much of the capacity would be required, just a ballpark number?

S. K. Khandelia: Sorry, I could not hear your question, can you just repeat it.

Hardik Solanki: So, to achieve a turnaround from Rs. 200 crores, so from current capacity I can achieve about Rs. 200 crores turnover, so to have an additional Rs. 300 crores turnover how much CAPEX would be required, just some ballpark number?

S. K. Khandelia: So far as yarn is concerned, our capacity utilization is already full where utilization is…

Hardik Solanki: Only for home textile business, I am talking of only home textile business to take it to Rs. 500 crores turnover.

S. K. Khandelia: Yes, definitely.

Hardik Solanki: How much amount of CAPEX is required?

S. K. Khandelia: This is very difficult to work out, depends on what product mix we will be taking going forward and so many things has to be taken into account. So, first of all let us achieve this one and then we will think about that.

Hardik Solanki: Okay. And sir we were looking for plant visit for home textile, only home textile unit, so is it possible to arrange for the same?

S. K. Khandelia: Plant visit you are saying?

Hardik Solanki: Yes, for home textile unit.

S. K. Khandelia: So what I suggest is that let us not discuss this on the conference call, we can always organize a plant visit and you can separately get in touch with my office and then we will organize it.

Hardik Solanki: Okay. And one more thing, Mr. Khandelia I was there on con-call not offline, so just if you can also manage for 10-20 minutes one-to-one management meet offline, would that also be fine?

S. K. Khandelia: That we can discuss.

Moderator: Thank you. Our next question is from the line of Shivam Vashi from Alpha Enterprises. Please go ahead.

Shivam Vashi: Sir**,** I missed on the volume part of the answer, can you please let me know again?

S. K. Khandelia: You are asking the yarn volumes?

Shivam Vashi: Yes sir, I just missed out initially.

S. K. Khandelia: Yes, the yarn volumes were 80,000 tons for the production, and last year it was 73,000. And sales was 75,000 tons this year and last year 69,000.

Shivam Vashi: So these are nine months numbers you are giving or quarter numbers?

S. K. Khandelia: This includes cotton and synthetic both.

Shivam Vashi: Also sir, your average realization on the dyed cotton yarn and on Mélange yarn, can you give some highlight on that?

Bipeen Valame: Yes, so as you see, average utilization of Mélange yarn we have said in the past also that typically we see 5% better realizations in terms of margins on Mélange yarn. And in terms of rate Rs. 75 to Rs. 100 per kg we find the differential in Mélange compared to dyed yarn.

Shivam Vashi: Okay. An also on the power cost, if you can give actual power cost for the quarter against last quarter?

Bipeen Valame: Last quarter-on-quarter last time was Rs. 65 crores and this quarter is Rs. 62 crores, more or less the same because the increase has taken place already.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Shri Khandelia for his closing comments.

S. K. Khandelia: Thank you very much all of you for joining us. And to conclude I would like to say what my Chairman has said, we are hopeful that our diversified portfolio value added products should enable us to deliver better performance once the demand normalizes, our revenue is growing, on the increased revenue which we are growing there should be better margin that will be the normal margin at least going forward. Thank you very much.

Moderator: Thank you. Ladies and Gentlemen, on behalf of Sutlej Textiles & Industries Limited, that concludes today's conference call. Thank you for joining us. And you may now disconnect your lines. Thank you.