

SUTLEJ TEXTILES AND INDUSTRIES LIMITED

“15th Annual General Meeting”

September 16, 2020

3.00 p.m. to 3:45 p.m.

TRANSCRIPT

Manoj Contractor – Company Secretary:

Dear Members, Good Afternoon, I welcome you all to the 15th Annual General Meeting of Sutilej Textiles and Industries Limited.

The time is 3.00 p.m. and it is now time to commence the proceedings of the meeting.

Due to Covid-19 pandemic the Ministry of Corporate Affairs and the Securities and Exchange Board of India vide their respective circulars, have allowed companies to hold the Annual General Meeting through Video Conferencing or Other Audio-Visual Means during calendar year 2020.

Further as per the said circulars, the companies are also dispensed with the requirement of sending the physical copies of Notice and Annual Report for the financial year 2019-20 to the Members.

Accordingly, the Notice and Annual Report of the Company for financial year 2019-20 has been sent by electronic means to all those Members whose email ids were registered with the Company or the Depositories.

The Company has taken all steps necessary to guide Members who have not registered their email addresses previously, to register the same with the Company.

I now request the Members to note a few instructions about this e-meeting:

- All Members have been kept on mute.
- Speed and working of audio and video for joining the meeting depends on Members internet speed.

I have been informed based on registrations received from Members for this meeting that the requisite quorum is present.

For any queries relating to attendance or e-voting at the meeting, Members can call on toll free helpline no. 1800-222-990 of NSDL.

Mr. C. S. Nopany, Executive Chairman of the Company shall chair this meeting.

I now request Mr. Nopany to commence the proceedings.

C. S. NOPANY:

Good Afternoon Ladies and Gentlemen. I welcome you all to the 15th Annual General Meeting of your Company.

Let me introduce my colleagues on the Board who have joined this meeting:

1. Mr. Rajan Dalal;
2. Mrs. Sonu Bhasin;
3. Mr. Rohit Dhoot;
4. Mr. Ashok Mittal; and
5. Mr. Bipeen Valame.

Mr. Amit Dalal, is trying to join the meeting but is having some connection issues, he should be joining soon. Mr. Umesh Khaitan, Chairman of Nomination & Remuneration and CSR Committee of the Company has conveyed his inability to attend the meeting and has accordingly authorized Mr. Rajan Dalal, a member of Nomination and Remuneration Committee and Mr. Amit Dalal, a member of the CSR Committee, to represent the Committees in compliance with the provisions of the Companies Act, 2013.

We also have among us Mr. Suresh Khandelia - CEO; Mr. Updeep Singh - Dy. CEO and Mr. Rajendra Chouhan, representing M/s. R. Chouhan and Associates, Practicing Company Secretaries who is the Scrutinizer for this meeting and also the Secretarial Auditor of the Company. They have joined this meeting from their respective locations.

I now commence the proceedings of this meeting as contained in the notice dated 12th June, 2020.

Since the meeting is being conducted through electronic means, no proxies are allowed to attend the meeting.

The documents and other statutory registers can be inspected by sending a request on the email ID: stil.investor_grievance@sutlejtextiles.com

I would now like to give a brief perspective about the Company and the sector that your Company operates in.

The current period is one of the most uncertain that the world has seen in decades. The global slowdown of 2019 was complemented by the outbreak of the Covid-19 pandemic, the effects visible from January 2019 only deepened as subsequent months passed.

During the last week of FY 2019-20, a national lockdown was imposed to fight the spread of Covid 19. This has cast a shadow on the anticipated recovery of the Indian economy in 2020-21, affecting demand, supply chain, discretionary spend and capital expenditure.

The pandemic is not just affecting the way people conduct business but also how humankind will live. This will affect every part of our lives, including the preference for apparel, influencing our business related to manufacture of yarns.

The market outlook is largely dependent on the discovery of the vaccine and the success of humankind in addressing the pandemic. At the moment the outlook is uncertain and there is a premium on the ability of companies like ours to manage their way through the downturn without significant impact.

Being a discretionary spend, the demand for textile products has contracted sharply. As various countries, including India, have started unlocking their economies, several new challenges of reduced demand, under-utilised capacities, dislocation of work force and cash crunch are likely to affect the industry. The implementation of social distancing and lockdowns across countries affected the export of yarns from India and their corresponding consumption across countries.

The management of your Company is seized of this priority and have taken steps to respond to the needs of customers, employees and resource providers. In doing so, the management has outlined a number of initiatives to protect the viability of the enterprise. Revenues and profits of your Company could well decline during the current financial year if market conditions do not revive. However, there are concerted initiatives to minimize this decline and protect our business health and emerge as one of the fastest off the blocks as soon as consumer sentiment revives.

This optimism is derived from the fact that we have always grown our Company around a sense of discipline. As a result, our responsiveness to the prevailing environment is not knee-jerk; it is the result of what we have consistently been in the past. For instance, we responded to the prevailing environment by questioning every cost and convention. We focused on enhancing our liquidity through our sell-and-make approach that provided adequate buffers to weather the slowdown. We engaged with our workers and arranged transport to get them back to our plants, as a result of which we increased capacity utilization to around 65% by the close of the first quarter of 2020-21 even as a number of spinners operated at around 40%. We broad-based our global presence, sustaining our revenue momentum. We engaged constructively with all our stakeholders such as suppliers, customers, bankers and employees to optimize efficiencies.

The conventional approach to growth and market aggression has been replaced by the priority to protect competitiveness, remain relevant through the course of the downturn and adapt with speed to the evolving environment. A combination of the strategic and the tactical are expected to protect our viability, liquidity and sustainability through this challenging crisis.

This is the right time to draw attention to how we have evolved across the last decade in building a competitive business model.

Sutlej has broad-based its business across product portfolio, markets, geographies, and customers. This broad-basing represents the core of our de-risking initiative, making it possible to moderate the impact of an unexpected weakness in any one segment.

Over the years, Sutlej has retained its position as India's largest ring spun-dyed yarn manufacturer (including cotton, cotton-blended dyed and mélange yarns). The broad-based scale of operations with 4,19,640 spindles has translated into superior manufacturing, procurement and marketing economies.

Sutlej has broad based output of niche yarns across a wide range of counts, blends and shades that make it possible to resist sectoral declines in realizations more effectively. The fibre-dyed spun dyed products make it easier and quicker for our customers to address market realities. We strengthened our recall as a one-stop supermarket. This focus has had two fallouts: this product segment has been more insulated than the price swings experienced in the commodity grey yarn segment and has been marked by higher customer retention. Besides, your Company gradually extended from being just a dependable supplier of products to becoming an advisor and consultant possessing capabilities in trend forecasting for the benefit of its customers. As a

result, most of our customers do not see us as just another vendor; they see us a partner helping them in expanding their market share.

Sutlej used to be largely a make-and-sell business; over the years, we evolved this to a sell-and-make approach that virtually takes the inventory and receivables risk out of our business. As an extension of this realty, we transitioned from a transaction-driven approach to a relationship-focused engagement model, where we have worked with customers through the years, emerging as responsible extensions of their personalities. As a result, we are not just engaged with customers through the narrow prism of marketing a larger quantum of products; we are collaboratively engaged in taking their businesses ahead through the development of the right yarn or home furnishing variety enhancing their market share and respect.

Over the years, we made another significant change in our business approach. Instead of responding faithfully to what our customers needed, we went one step beyond: we began to develop products and finishes that we felt they would need. The result is that your Company began to evolve from efficient product replication to effective product innovation. Your Company reinforced a conventional approach to enhancing market share to market creation as well.

Your Company has responded to the growing need for environmental sustainability by investing in renewable energy, reduction in material consumption, restoration of green cover and recyclability. It has also embarked on the manufacture of green fibre derived from recycled raw material, which will moderate costs, further increase our environment commitment and strengthen the reputation of our downstream customers of the environment responsibility of their products.

Sutlej has been consistently aware of the need to grow on the one hand without compromising its leanness. The result of this priority is that the Company has remained lean enough to remain relevant even during downturns. It has evolved from individual-driven engagement to process and systems-driven; it has invested in modernizing manufacturing assets that have enhanced efficiencies and reduced costs and built a culture of manufacturing efficiency with a growing investment in its overall eco-system of vendors, customers, employees and communities, enhancing organisational stability.

At Sutlej, we believe that the pandemic-induced represents an opportunity.

Our consistent focus on broad basing our business with the objective to not be excessively dependent on few customers, products, geographies and manufacturing units will insulate us from the full extent of the slowdown.

Your Company's investment in backward integration to manufacture recycled polyester staple fibre will be commissioned in 2020-21. A large part of the production will be consumed in-house, which will reduce costs, enhance product quality and strengthen profitability.

As cash-strapped textile companies are compelled to moderate their manufacturing operations there will be a gap in the marketplace that companies like ours would be attractively placed to plug. As customers consolidate their vendor bases, we believe we will be attractively placed to retain our relationships and enhance wallet share.

The tenure of the prevailing downtrend cannot be estimated. However, what I would like to communicate to you is that we possess a competitive business model that should protect our competitiveness going ahead.

Thank you.

The Annual Report and the notice convening the 15th Annual General Meeting has already been sent through electronic means. With your permission I shall take it as read.

The Statutory Auditor's Reports on the Company's standalone and consolidated financial statements for the financial year 2019-20 are unqualified. With your permission I take the reports as read.

I now request the Company Secretary to read out the proceedings.

Company Secretary:

The Company had provided the facility of remote e-voting to Members for casting their votes on the resolutions set-out in the Notice convening this AGM. The e-voting facility was made available to Members from 9.00 a.m. on Sunday, 13th September, 2020 till 5.00 p.m. on Tuesday, 15th September, 2020.

Electronic voting facility has been made available during the proceedings of this meeting to enable Members who have not cast their votes through remote e-voting, to exercise their voting

rights. The e-voting window shall be activated upon instructions by the Chairman during this meeting.

Mr. Rajendra Chouhan, representing M/s. R. Chouhan and Associates, Practicing Company Secretaries, has been appointed as the Scrutinizer to oversee the e-voting process.

Members who have already voted through remote e-voting shall not be eligible to participate in the voting today. However, they can continue to participate in the AGM.

The results of the voting will be declared within 48 hours based on the Scrutinizer's Report and the same will be published on the Company's website and uploaded on the websites of National Stock Exchange of India Limited and BSE Limited.

Thank you.

C. S. NOPANY:

Before I move the resolutions contained in the Notice, I would like to respond to emails received from members on the operations of the Company.

1. MEIS has been substituted by RoSCTL i.e. Rebate of State and Central Taxes and Levies scheme for garments and apparels, but for YARN exports what kind of benefits are we getting or may get?

Ans. *2% benefit in the form of MEIS rebate is given for some items of synthetic yarn. MEIS Scheme is being replaced by Remission of Duties or Taxes on Export Products (RoTDEP) Scheme from 1st January, 2021. However, rates and scope of coverage is still being worked out by the government.*

2. Since the beginning of this fiscal year, our main raw materials namely cotton, viscose and polyester, have all seen a price decline. Is this helping us now to improve our margins, as our production capacity has been gradually increasing?

Ans. *It is true that raw material prices are correcting in the current fiscal year. However, there is lot of pressure on realizations due to poor demand. Also domestic cotton prices are higher than international prices. Yes, the gradual increase in capacity utilization is helping us.*

3. In your last Con-call, you were very hopeful of turning around HOME TEXTILES and have been perceiving it as an anti- risk strategy for YARNS. I would like to know the

STRATEGY PLANNED by our Company for this TURNAROUND and the likely timeframe to achieve the same.

Ans. *It is true that we have ventured in Home textiles to de-risk our dependence on spinning and get into better margin business than yarn.*

We are in curtains, upholstery and made ups and have been working hard since past two to three years to reposition ourselves with increased focus on premium segment in domestic and export markets and accordingly we have been strengthening our designs, development, marketing and production teams.

We have launched our home textile brand 'NESTERRA' a few months back and have developed synergy with American Silk Mills in USA, which we bought in the recent past and are adding the product range in our portfolio. There is a significant change in our overall strategy and approach so far as our home textile division is concerned. Any such endeavor as you know takes time to fructify particularly in case of in premium and mid premium segments of home textiles as it is a highly discretionary spend business. We have met with few policy changes like Demonetisation, GST roll-out, etc. in the past 2-3 years and COVID-19 recently which has delayed the whole process to make the business profitable. It is a long journey from concept to design sampling to normal production and repeat orders. Thus, while we are reporting losses in our home textile business, we are hopeful that going forward it will also be a major contributor to topline as well as bottom line of the Company.

4. As of now, given that, the entire HOME TEXTILE industry is facing huge demand problems and customer bankruptcies, are we open to closing down/selling home textiles division in case we are not able to turnaround the same, in the time-frame set by the board?

Ans. *It is true that the present position is unprecedented but not permanent and we are hopeful of turning around this division once normalcy in market returns.*

5. We have one the best in industry models for YARNS whether in 'Sell-and-Make' or 'fancy spun dyed yarns' and several other unique models. As a matter of fact, our YARN business model is already DE-RISKED to a great extent. Sir, why don't we focus more on YARNS and make it a great business by itself, rather than putting our energy in HOME TEXTILES. Can you please explain our Company's standpoint?

Ans. *We are fully focused on yarn business and are capitalizing whatever opportunity comes in our way and are making all efforts to maintain and improve our strong position in domestic and export yarn markets.*

6. Do we have any exports or imports with CHINA?

Ans. *We hardly have any business exposure to China, since China mainly imports greige yarn and we are in value added dyed yarn. For home textile, we are focusing on USA and European market. Occasionally, we also do some imports of specific fibers from China. We have also imported plant and machinery of our green fiber project from China as they are the dominant supplier for such machines.*

7. In your last con-call, you mentioned about government doing many things to promote our industry like setting up many textile parks, introducing PLI Schemes, etc. What are our plans to GROW in light of the renewed GOVT. FOCUS, since, we are very strong FINANCIALLY?

Ans. We are fully geared to grab any opportunity when it unfolds.

8. What is our strategy to grow in Global CHINA + 1 POLICY?

Ans. *We are in touch with our existing and potential customers and are ready to service them wherever they are looking to have alternate supplier.*

9. As it has already been 6 months now, since the COVID-19 pandemic has been raging around in the world, have you thought about new business opportunities stemming out of this ongoing pandemic? This pandemic has thrown open many new BUSINESS OPPORTUNITIES like anti –viral, organic cotton yarn especially for KIDSWEAR, larger technical textiles demand etc. Do we have any plans to enter these SECTORS either in garments, in yarn capacity expansion or in making new yarns?

Ans. *The outbreak of Covid-19, has opened many new opportunities like demand for masks, protective gears and other such adjacencies in the health & hygiene segments for both private label and brands.*

We have launched our own products for reusable woven masks in branded and private label categories, institutional and domestic use. We expect the business to grow however, it is too premature to comment on this for now.

In addition, we have developed our range of anti-bacterial and anti-viral products in home textiles and have got some traction in these from the market. In yarns also we have developed offerings such as anti-bacterial and anti-viral products.

- 10.** What kind of monetary benefits will we derive on yearly basis post commissioning of the Green-Fiber plant?

Ans. *As you would be aware, major part of production from the Green Fibre plant is for captive consumption. We expect that it will add 100-150 bps to our EBITDA Margins once fully commissioned. Currently, there is distortion in demand and prices of recycled fiber due to Covid impact, but going forward we expect that there will be better spread which will help the Company to reduce its raw material cost. Further, other opportunities like branding / co-branding of RCF and having traceability will fetch premium in international market and with other apparel brands in India.*

- 11.** What has been the impact of COVID 19 on the operations of the Company? When will the operations normalize?

Ans: *The Covid-19 pandemic has engulfed the entire world causing catastrophic damage to economies and businesses across the globe. It has significantly impacted the discretionary spend sectors of the economy. While we adapt to the new normal, consumer demand has dwindled. We have ramped up capacity utilizations at 75% which was much lower when our plants re-opened after the lockdown. We continue to work on cost optimization to make the operations leaner and agile. We do expect uncertainty to continue for some more time till confidence is restored amongst the society and economy.*

- 12.** The profitability of the Company has been shrinking over the last 2 years while the turnover has remained more or less the same. What are the major reasons for the decline in profits and what are the expectations for the coming years. What steps have been taken by the Company to address this issue?

Ans: *Textile industry has been struggling with many challenges over the last 2 years like disruption of business in downstream value chain due to demonetization, roll out of GST, inverted duty structure in Man-made fiber value chain, subdued consumer demand in*

domestic and export markets, etc. Thus while we could maintain our volumes, the margins have been under pressure.

We have been taking various steps like cost optimization, improving efficiencies, product and process innovation, widening our market reach across geographies to address the concern.

With the permission of the Members, may I now move the resolutions, by giving brief descriptions of the resolutions.

Since this meeting is through electronic mode, members will not have the opportunity to propose or second the resolutions. Combined results of remote e-voting and e-voting during the meeting on resolutions, will be considered for approval of the resolutions.

First item of the Notice is to receive, consider and adopt the Standalone Audited Financial Statements of the Company as at 31st March, 2020, together with the Reports of the Auditors and Directors thereon.

Second item of the Notice is to receive, consider and adopt the Consolidated Audited Financial Statements of the Company as at 31st March, 2020, together with the Reports of the Auditors thereon.

Third item of the Notice is declaration of Dividend. The Board of Directors have recommended a dividend of Rs. 0.30 per share for the financial year 2019-20.

Fourth item of the Notice is regarding re-appointment of Mr. Rohit Dhoot who retires by rotation and being eligible, has offered himself for re-appointment.

Fifth item of the Notice is an Ordinary Resolution regarding ratification of remuneration paid to M/s. K. G. Goyal & Associates, Cost Auditors for the Financial Year 2020-21.

The text of the resolution and the terms and conditions including remuneration, are mentioned in the Notice of the AGM.

Sixth item of the Notice is a Special Resolution regarding re-appointment of Mr. Bipeen Valame as the Wholetime Director of the Company.

The text of the resolution and the terms and conditions including remuneration, are mentioned in the Notice of the AGM.

Seventh item of the Notice is a Special Resolution regarding alteration of Articles of Association of the Company by replacing the existing Article 100 with the following Article:

“100. If there is no such Chairperson, or if he/she is not present within 15 minutes of the time appointed for holding the meeting, or is unwilling to act as Chairperson of the meeting, the Directors present shall elect one of their members to be Chairperson of the meeting.

If at any meeting no Director is willing to act as Chairperson or if no Director is present at the time appointed for holding the meeting, the members present shall, by show of hands or poll or electronically, choose one of their members to be Chairperson of the meeting.

On any business at any general meeting, in case of an equality of votes, whether on a show of hands or electronically or on a poll, the Chairperson shall have a second or casting vote.”

Eighth item of the Notice is a Special Resolution regarding payment of commission to Non-Executive Directors of the Company.

The text of the resolution and the commission payable to the Non-Executive Director is mentioned in the Notice of the AGM.

The e-voting window shall now be activated for allowing the Members to vote during the AGM. Members are requested to vote by selecting EVEN: 113566 on your screen.

The Members who have not yet voted may cast their vote now.

The e-voting will end within 15 minutes from the end of this meeting.

All questions and queries received during the meeting will be responded to via email in the next couple of days.

On behalf of the Board of Directors and on my behalf, I would like to express my sincere appreciation for the continued co-operation, support and confidence reposed by all the stakeholders in the Company. I am sure your Company shall continue to receive your all round co-operation and support in future also. I thank you for taking out time to attend this meeting.

I now declare the proceedings of this meeting as closed.

Thank you!