



Trident Limited Q1 FY 2021-22
“Industry Outlook & Earnings Frequently Asked Questions”

12th August 2021

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Business Performance and Outlook:

We will be providing you with the latest updates on the financial results, industry outlook and then answer specific questions that may be helpful to answer the queries regarding the business and financials of the company and way forward. This information has been collated by taking inputs from the senior management, including the business leaders who have the ownership of their business performance thereby presenting you with financial as well as insightful and pragmatic data points.

[We remain committed and transparent towards our stakeholders and always maintain high corporate governance.](#)

Further, if you have any queries, please feel free to get in touch with the Investor Relations team.

Massive decline in Covid cases and impetus on vaccination drives has helped to control the situation and made us move towards normalcy. With lifting of lockdown from various regions of the world, we expect demand to gain momentum in coming times. Though concerns over third wave of Covid hinders on and contemporary issues such as rising shipping freights due to shortages of containers, being faced by exporters, the coming times demand close attention. Furthermore, with government efforts on vaccination and better preparedness to brave the challenges, the circumstances are expected to be under check.

Though Q1 FY2022, saw second wave of Covid-19 hitting the economy badly, the demand for Home Textile products remained robust. Bath Linen segment registered capacity utilization of 62% and Bed Linen operated at 85% capacity. Revenues for the quarter have shown tremendous growth of 107.45% on Y-o-Y basis and EBITDA margins stood at 25.84%. Barring the RoSCTL impact pertaining to Q4 FY21, adjusted EBITDA margin is 22.82% for Q1 FY22.

Paper demand was hit due to disruption caused by second wave of Covid-19 in Q1 especially the months of April and May. However, with improvement in the situation and opening of schools and educational institutions, the demand is expected to rebound to pre-Covid levels and advance further.

A brief overview of the production for Q1 FY22 is given below:

Monthly Production Data

Segment	UoM	Production		
		Apr-21	May-21	Jun-21
Bath Linen	MT	4549	5122	4363
Bed Linen	Mn. Meters	3.33	3.04	2.78
Paper	MT	11852	12569	12706

Comment on financial performance for the quarter ended 30th June 2021:

- Net Revenue in Q1 FY22 stood at INR 14798.6 million compared to INR 7133.6 Mn in Q1 FY21
 - ✓ Home Textile segment sustained the demand momentum in Q1 FY22 with Bath and Bed Linen Segment registering revenue growth of 134% and 80% on Y-o-Y basis respectively.
 - ✓ Sheeting segment registered ~85% capacity utilization during the quarter
 - ✓ Exports contributed to be robust with 73% contribution to total revenue for the quarter
 - ✓ Paper business reached capacity utilization of 85% during the quarter
- EBIDTA for quarter stood at INR 3824.5 Mn which translates into 25.84% EBIDTA margin. However adjusting for RoSCTL impact pertaining to Q4 FY21, Adjusted EBITDA is INR 3245.2 Mn and Adjusted EBITDA Margin is 22.82%
- Profit after tax for the Q1 FY22 stood at INR 2035 Mn
- Net Debt reduced as on 30th June 2021 to reach level of INR 12319.8 Mn, as against net debt of INR 14231.9 million as on 31st March 2021; Net Debt to Equity ratio stood at 0.35x and Net Debt to EBITDA is 0.95x after adjusting for RoSCTL amount pertaining to Q4 FY21.

Coming to the segment wise performance:

Textile Segment:

- Revenue for segment stood at INR 12821.2 Mn in Q1 FY22 vis-à-vis INR 5857 Mn in Q1 FY21.
- EBIT for the segment improved to INR 2659.8 Mn in Q1 FY22 vis-a-vis INR 131.3 Mn in Q1 FY21

Paper & Chemicals Segment:

- Revenue for the period stood at INR 1950 Mn in Q1 FY22 vis-à-vis INR 1223 Mn in Q1 FY21.
- EBIT for the segment during Q1 FY22 stands at INR 592.8 Mn vis-a-vis INR 336.8 Mn in Q1 FY 21

Industry Outlook

Disclaimer: The current industry outlook reflects the progress of the last few quarters. Surge in Covid-19 cases and lockdown situation amid third wave concerns is the unpredictable factor for the industry, in the times to come.

Home Textile

USA and Europe are the major importers of home textile products globally. Since the people could not celebrate the festival season last year due to lockdown restrictions amid the pandemic, a lot of pent-up demand is being witnessed for the upcoming festive season in the foreign markets. This has resulted in strong demand for the on-going and next quarter as well. Additionally, increased awareness on health, hygiene and working from home across the world, is the growth driver for home textile products as home décor is the new 'global favorite.'

Huge demand has also resulted in excessive pressure on the logistics, as exporters are facing shortage of containers in order to ship the products, which has also led logistic costs to rise in the contemporary times. However, the sector is expected to perform well with the government's support in terms of extension of RoSCTL benefits till March 2024. This is expected to provide stability and ensure competitiveness of Indian products in the foreign markets.

Innovation has been the hallmark of Trident Group ever since we started our operations. Focus of our new products has been on health, wellness, and sustainability to cater to emerging needs of the consumers, in domestic and global markets. A unique towel -FaBo (Face and Body Towel) has been developed, with one part for face rich in aloe vera and the other for body incorporated with antimicrobial properties, providing desired care and hygiene. Trident is one of the first to offer antimicrobial finish in the towels to customers, which garnered good response and have led to increased sales in recent times.

As a market leader of sleep solutions, we have developed bedsheets with thermal regulation, better wicking, and temperature control properties. Another area of focus in our product offerings has been our paramount focus on sustainability. We have developed products using re-cycled polyester, hemp fabric, natural dyes and more.

OTEXA Data:

Market share for US imports of cotton sheets					Market share for US imports of terry towels				
Country	2018	2019	2020	2021*	Country	2018	2019	2020	2021*
India	49%	50%	52%	62%	India	39%	39%	42%	44%
China	21%	19%	14%	11%	China	25%	24%	21%	20%
Pakistan	17%	19%	20%	18%	Pakistan	20%	21%	21%	21%
ROW	12%	12%	14%	9%	ROW	16%	16%	16%	15%

**(January 2021 – June 2021)*

As per the OTEXA data, India's share in US cotton sheets has increased in overall percentage terms to 62% in first six months of calendar year 2021, whereas China and Pakistan have collectively lost around 5% share since last year. In terry towel segment, India's share has increased by 2% to 44% for first half of the CY 2021 as against 42% in last full year.

India will continue to have advantage of largest producer of raw cotton as well as a major cotton surplus & cotton exporting country. This gives a distinct advantage to Indian Home Textile Manufacturers. Home Textiles companies which have invested in terms of scale, Technology & systems are bound to consolidate & grow, leveraging their capabilities with cost effect manufacturing & strong market presence. Trident will further consolidate its business by leveraging the investments in terms of scale, technology & systems, leveraging their capabilities with cost effective manufacturing & strong market presence and adding new customers to its portfolio.

Paper

- With government allowing opening of schools and educational institutes, the demand that has been hit due to the closure of these institutes amid the pandemic, is expected to rebound.
- Writing printing paper demand is majorly dependent on Education, which is expected to normalize in H2 FY22.
- The market forces of demand and supply has been such that pricing has taken a hit in the recent times. At present global consumption is also low, however we expect paper volumes as well as realizations to improve in the upcoming quarters.

Cotton Outlook

- The Cotton Association of India (CAI) in its June estimate of the cotton crop for the season 2020-21 beginning from 1st October 2020 has increased its cotton consumption estimate for the current crop year by 10 lakh bales to 325 lakh bales of 170 kgs each from its previous estimate of 315 lakh bales of 170 kgs each
- The consumption now estimated for the current crop year is, however, higher by 75 lakh bales compared to the previous year's consumption estimate of 250 lakh bales of 170 kgs each
- CAI has reduced its production estimate for the season 2020-21 to 356.00 lakh bales of 170 kgs each from 360 lakh bales
- About cotton imports, the estimate of cotton imports into India has been reduced to 10 lakh bales of 170 kgs each as per the June estimates. The imports now estimated for the 2020-21 crop year are less by 5.50 lakh bales of 170 kgs each from 15.50 lakh bales of 170 kgs. each estimated for the 2019-20 crop year.
- US ban on products made from cotton obtained from China's Xinjiang region given that one-fifth of the world's cotton comes from the region will also impact the cotton prices going forward and additional pressure may be faced by other cotton supplying countries
- We expect cotton prices to remain near the current levels going forward till the arrival of new crop.

Frequently asked questions and their responses

What is the newly unveiled 'VISION 2025' of the company? Whether the Strategy Committee recommended or finalised any plan on this? Please update on the same.

➔ The company has unveiled its 'VISION 2025' under which 3 BHAG [BIG, HAIRY, AUDACIOUS, GOALS, pronounced as Bee-Hag] have been formulated aimed towards unlocking long-term sustainable value for the shareholders.

- Achieving Revenue of INR 250,000 million by 2025 with 12% bottom line.
- Making Trident a National Brand.
- Digital Trident – By completing the journey of Industry 4.0

'VISION 2025' shall accelerate the growth momentum thereby placing the company in an upward trajectory thus adding value & growth for our shareholders and business associates.

The Company has appointed reputed business advisory and consulting organizations to collaborate with the Company in this journey. We are in continuous discussion with the advisors and exploring various options and strategies to make this happen. The Company has shortlisted the following imperatives to achieve Vision 2025 viz.

- Grow core business - Capitalize on recent growing retail trends - Online & Offline Brands
- Digital & Industry 4.0 - IOT, Blockchain & Digitalization
- Develop robust processes & organization - Boost efficiency, simplify & automate processes
- Build new businesses - Diversify, Build & Grow New Businesses

The Company will prioritize the aforesaid Imperatives to achieve VISION 2025 and shall keep updating the Investors from time to time.

What is the dividend pay-out for the financial year 2020-21?

➔ The company envisage to reward its shareholders through regular dividend payouts or otherwise as per the decision of the Board. The Board in its meeting held on May 15, 2021, have recommended a final dividend of 36% (INR 0.36 per Equity Share of Re. 1/- each) for the financial year 2020-2021 subject to the approval of the shareholders in the ensuing Annual General Meeting of the Company scheduled to take place on 27th August 2021. This translates into a dividend payout of 53%.

What has been the company's efforts to reduce its debt commitments and become debt free in future?

→ The company has undertaken several initiatives over the years to reduce its debt commitments including prepayments of high-cost loans, reduction in working capital utilization through retention of cash accruals, other measures to reduce CTC cycle and build up cash reserves. Owing to the above initiatives the net debt levels of the company have reduced to level of INR 12319.8 Mn at end of June 2021.

(INR Million)

	30-Jun-21	31-Mar-21
Gross Debt	14421.5	15355.1
-Term Loans	3773.0	3019.0
<i>Existing Loans</i>	6.4	19.0
<i>Fresh Capex Loans</i>	2516.6	1750.0
-Non-Convertible Debentures	1250.0	1250.0
-Working Capital Loans	10648.5	12336.1
Net Debt	12319.8	14231.9

In line with the "VISION 2025" of the company, strategic planning will be undertaken to optimize the leveraging capacity to create value for the stakeholders.

Recently, Trident has announced commercial operations of new spinning unit. What is the capacity of the spinning unit?

→ To strengthen position in the textile sector, a new spinning unit with state of art manufacturing facilities having capacity of 61,440 spindles and 480 rotors has begun commercial operations on 27th July 2021. The cost of project is around Rs. 3380 million and the yarn produced would be sold in the market as well as utilized for captive consumption as raw material for manufacturing bath and bed linen.

Update on the Rebate of State and Central taxes and Levies (RoSCTL) extension announced by the Government of India?

➔ The government has issued a press release for continuation of Rebate of State and Central Taxes and Levies (RoSCTL) at the rates notified by the Ministry of Textiles via Notification dated 8th March 2019, applicable retrospectively from 1st January 2021 till 31st March 2024 on export of bed sheets and towels. This move is expected to provide stability and ensure competitiveness of Indian products in the foreign markets by rebating embedded taxes/levies which are currently not being under any other mechanism. The products, not covered under RoSCTL benefits, shall be eligible to get benefits under Remission of Duties and Taxes on Exported Products (RoDTEP) scheme, at the rates yet to be notified by the government.

How is digitization helping to grow the business?

➔ The market dynamics are rapidly changing with Industry 4.0, and so are we. At Trident the following initiatives are being taken towards becoming a future-ready organization:

- Industrial IOT- Integration of machines to get automated data on real time basis, be it the production, health of machinery etc. leading to faster decision-making process.
- Business Intelligent Dashboards- Mobile enabled numerous dashboards focusing on real time display of data helps in keeping track of everything even on the go.
- Robotic Process Automation- Automatic processes results in greater efficiency and accuracy of data.
- Development of online design product portfolio that showcases our existing products and innovative products. The platform helps in connecting with customers worldwide, where they can see new products, digital catalogue, can enquire and provide valuable feedback.
- AI powered chatbot for employee engagement, and digital library focusing on learning, development, and up-skilling of the employee.
- A futuristic website that connects all Trident stakeholders together. With its impeccable ease of functioning and user-friendly interface, the new Trident is a milestone for the textile industry.

What is the order book outlook for the company in Home Textile Segment? How sustainable is the current demand for Home Textile products?

➔ Post covid-19 lockdown, the home textile has seen a strong revival of demand on account of various factors including government stimulus, focus on health and hygiene, work from home etc. The company has seen a strong Q1 for Home Textile and the trend is expected to improve further in current quarter and H2 FY22. The order book visibility is already there for coming quarters and looking at the current trend, we expect the demand to be sustainable going forward.

What are the reasons for enhanced capacity utilizations in Home Textile Segment?

➔ The enhanced capacity utilization in Bed Linen and Bath Linen segment is on account of robust demand coming from export market on account of increased preference on hygiene front due to Covid-19 pandemic. With work from home becoming the norm, demand for home furnishing products has also increased. Pent-up demand on account of upcoming festive season and government stimulus to individual are also the contributing factors to the enhanced capacity utilization in this segment.

E COM growth is likely to surge further due to convenience and better choices and Brick & Mortar sales are also likely to sustain growth as retailers are offering multiple delivery options to consumers. Increase in domestic tourism is having a positive impact on institutional sales of towels and bed linen in hotel segment which is going to continue.

How are we enhancing our presence in UK/ Europe market?

➔ These markets are very price sensitive markets considering GSPs with supplier countries like Pakistan, Portugal, Turkey and Bangladesh. In order to compete with these supplying countries, Trident is adopting Omni – Channel approach to cater mid to premium segment of the market with focusing on its strength in the area of sustainable products, new innovative offerings and customized solutions for potential customers /markets.

The market is functioning in Three verticals largely, i.e., Loyalty Business, Supermarket / Hypermarket Business & Hospitality Business. We are working towards expanding our wallet share with all existing major players and reaching out to the Supermarkets & Hypermarkets. To

cater the altered retailer requirements, we offer short term customized promotional programs to retailers.

What is Pakistan's GSP+ status and potential impact if withdrawn?

➔ Currently India enjoys status as GSP beneficiary whereas Pakistan has been awarded GSP+ status. Generally, EU reviews the Pakistan's GSP+ status once every two years, which was due in 2022, however recently EU has passed a resolution and said to pre-poned the review of Pakistan's GSP+ status. Having said this, if the status is withdrawn exports from Pakistan would attract about 20% import duty upon entering the EU, therefore providing enormous potential for Indian home textile players and offering level playing field for Indian products.

What are the key initiatives undertaken to improve the margins?

➔ The company is undertaking several initiatives to improve the margins from its existing business including:

- Moving gradually towards higher retail price points products by focusing on higher Thread count sheets and higher GSM Towels
- Developing new and innovative products leveraging consumer sentiments and behavior to earn premium
- Catering to luxury, fashion accents, & sports segments to fetch higher NSR & Profitability
- Increasing capacity utilization of plants through digitization of processes and adopting lean practices

What are the key initiatives taken by marketing team to increase the volume growth in US market?

➔ The company is undertaking the following initiatives for the US market to sustain and increase the volume growth across Bath Linen and Bed Linen segment:

- The company has been tapping to new customers with customized offering of products in new programs in beach towel category
- Creation of dedicated team to cater to online channel looking into the demand increase
- Virtual showrooms have been created to enable the customers to see the range of

offerings

- Virtual plant visits and inspections are also being conducted
- Focusing on having more patents and trademarks through dedicated innovation/designing team

What are the company plans for building Trident as a brand in domestic market?

➔ The company has formulated the following strategy to build Trident Brand in the domestic market:

- Expand distribution channel by appointment of new distributors
- Retail network Expansion by setting up of EBOs
- Social Media and Digital Marketing – Brand Reach 10 million+ / Month
- Print Media – Advertisement and Editorial Campaigns across trade magazines
- Corporate Website Redesign and Ecommerce Website Setup
- Digital Video Commercials for new Innovative Product Launches

What was the average realization (USD/INR) rate in Q1FY22?

➔ Our average negotiated rate for the current quarter has been at INR 74.52 per USD

What is the current hedging rate for FY22?

➔ Average Forward Hedged Rate for FY22 is around INR 76.28 per USD.

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