



Trident Limited Q3 FY 2020-21  
“Industry Outlook & Earnings Frequently Asked Questions”

18<sup>th</sup> January, 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.

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The beginning of fast track approval of immunization program across the world to fight against Covid-19 has brought a sense of relief across the economies. At the very same time, count of cases increasing on account of mutant variant of Covid-19 has impacted several countries across the world. However, this time they are better prepared to address the situation as shown by UK and several European countries with pre-emptive lockdowns and restrictions to reduce the spread. Moreover, current lockdown announcements have not impacted the businesses as they are better equipped to handle the situation as compared to the March 2020 scenario.

On the business front, Home Textiles have been leading the momentum for the company with highest ever capacity utilization of 62% in Bath Linen segment. On Bed Linen side, the company is already running at 100% capacity utilization. Revenues are up by 19% on Y-o-Y basis and EBIDTA margins continue to be robust. Yarn business is also seeing a good recovery with prices of yarn surpassing the pre-covid levels. Several factors including demand supply mismatch, increase in prices of cotton and higher demand from exports have contributed to the said increase. Paper business continues to face challenges on account of gradual opening up of offices, schools and colleges who are the major consumers. However, with several states allowing regular schools for secondary and higher secondary classes, the demand is expected to further improve in upcoming quarters. The company continues to sustain the volumes in paper segment however realizations remain under pressure.

A brief overview of the sustained increase in capacity utilization across the 3 quarters of current financial year is given below:

#### Quarterly Production Data

Segment	UoM	Production		
		Q1 FY21	Q2 FY21	Q3 FY21
Bath Linen	MT	6492	13615	13845
Bed Linen	Mn. Mtrs	4.15	9.68	10.88
Yarn	MT	14038	27058	28052
Paper	MT	24509	34932	38232

Segment	Capacity Utilization		
	Q1 FY21	Q2 FY21	Q3 FY21
Bath Linen	29%	61%	62%
Bed Linen	38%	90%	101%
Yarn	49%	94%	97%
Paper	56%	80%	87%

In terms of financials for the quarter ended 31<sup>st</sup> Dec 2020:

- Net Revenue in Q3 FY21 stood at INR 1294.9 crores compared to INR 1091.4 crores in Q3 FY20
  - ✓ Home Textile segment sustained the demand momentum in current quarter with Bath and Bed Linen Segment registering revenue growth of 45% and 81% on Y-o-Y basis respectively.
  - ✓ Sheeting segment registered ~100% capacity utilization during the quarter
  - ✓ Exports contributed to be robust with 67% contribution to total revenue for the quarter
  - ✓ Yarn business registered 30% Q-o-Q growth in revenue. 55% of yarn produced got captively consumed within Home Textile segment
- EBIDTA for quarter stood at INR 300.2 crores. Adjusted EBIDTA (excluding exceptional items) stood at INR 243.1 crores which translates into 19% EBIDTA margin
- Profit after tax for the Q3 FY21 stood at INR 159.8 crores
- Net Debt reduced significantly as on 31<sup>st</sup> December 2020 to reach level of INR 986.8 Crores on account of prepayment of loans amounting to INR 568 crores, as against net debt of INR 1614.5 Crores as on 31<sup>st</sup> March 2020; Net Debt to Equity ratio stood at 0.3x

Coming to the segment wise performance:

#### Textile Segment:

- Revenue for segment stood at INR 1107.8 crores in Q3 FY21 compared to INR 849.4 crores in Q3 FY20.
- EBIT for the segment improved to INR 144.5 crores in Q3 FY21 vis a vis INR 13.5 crores in Q3 FY20

#### Paper & Chemicals Segment:

- Revenue for the period stood at INR 182.4 crores in Q3 FY21 compared to INR 232.5 crores in Q3 FY20.
- EBIT for the segment during Q3 FY21 stands at INR 38.9 crores vis a vis INR 70.4 crores in Q3 FY20

## Industry Outlook

*Disclaimer:* The current industry outlook is being provided based on the progress made during the last few quarters after lifting of lockdown. Going forward, any increase in new variant of Covid-19 cases and subsequent actions by local governments will be major variables for the industry. Transfer of US presidential power underway may also impact the future outlook for the industry

## Home Textile

The global Home Textile market is mainly driven by demand from USA and Europe constituting 60% of the home textile imports. The Indian export Home Textile market is dominated by few large players. These organized and larger players mainly cater to export demand from large global retailers and face competition from countries like China, Pakistan, Vietnam, etc. Covid-19 pandemic led to disruption in operations of the manufacturers and also slowdown in demand, in both Indian and export markets. Lockdown affected the operations of the manufacturers and also their supply chains. Though orders/ sales started to pick up by the end of Q1FY21, the Home textile industry witnessed seen a strong demand revival during the Q2FY21 on account high demand from big retailers (selling essentials) who have seen their inventory pipeline running dry due to huge demand build up on account of Covid-19 pandemic. People being more conscious towards health and hygiene are looking more towards the home furnishing products. Work from home in majority of the big cities across the world has also contributed to the demand revival with people spending more on home improvement products as the same becoming their primary workplace. The growth momentum witnessed in the previous quarter continued in the current quarter with strong visibility of sustenance going forward.

Trident products and offerings with Anti-microbial treatment as standard across Bath Linen category continues to receive good response from the existing and new customers. The company has also created separate e-commerce vertical to cater to the online mode which has registered substantial growth during the current quarter on account of increased number of buyers preferring online mode of shopping.

## OTEXA Data:

Market share for US imports of cotton sheets					Market share for US imports of terry towels				
Country	2017	2018	2019	2020*	Country	2017	2018	2019	2020*
<b>India</b>	50%	49%	50%	51%	<b>India</b>	39%	39%	39%	42%
<b>China</b>	20%	21%	19%	15%	<b>China</b>	24%	25%	24%	21%
<b>Pakistan</b>	16%	17%	19%	20%	<b>Pakistan</b>	21%	20%	21%	21%
<b>ROW</b>	14%	12%	12%	14%	<b>ROW</b>	16%	16%	16%	16%

*\*(January 2020 – Nov 2020)*

As per the OTEXA data, India share in US cotton sheets has increased in overall percentage terms to 51%. The same is on expense of China which has lost around 4% share since last year. In the terry towel segment, India's share is up by 3% to 42% as on Nov 2020 as against 39% in last 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

- At present mills manufacturing writing printing paper are operating in the range of 70%~90% of installed capacity
- 60% of Writing printing paper demand is directly/ indirectly dependent on Education, which is expected to normalize in next financial year.
- Another driver for demand is per capita low consumptions, going forward domestic requirement shall be around 5.2 Million tonne
- Compared to pricing vis a vis FY19-20 the rates are approximately 22~25% down, which is dependent on demand-supply scenario. At present global consumption is low, and due to various inter-related factors still major global manufacturers are not able to utilize their full capacity

- With projected increased consumption and import policy optimization, domestic prices are expected to revive by ~10% when compared to prevailing prices by Q2 FY 2021-22
- We expect the volumes as well as realizations to improve in upcoming quarters looking at the gradual starting of schools/ colleges

#### Yarn

- Yarn prices, mainly those of cotton yarn, have increased sharply in the last few weeks as inventories dried up and supplies have failed to match demand and spinning mills delayed resumption of their operations across the country
- Yarn prices have gone up since spinning mills delayed resumption of operations after being closed for a long time while the garment and fabric manufacturers resumed production operations quicker than the spinning sector. This led to a mismatch of demand and supply
- Yarn prices have also increased on account of rise in prices of raw materials such as cotton and man-made fibres.
- Additional demand of yarn from China and Bangladesh has also supported rise in yarn prices
- We expect yarn prices to remain near the current levels going forward

#### Cotton Outlook

- The domestic cotton consumption has now been estimated by the Cotton Association of India (CAI) at 330 lakh bales of 170 kgs each. The new estimate shows an increase of 80 lakh bales of cotton consumption for the cotton season 2020-21 from previous year's consumption estimate of 250 lakh bales. Thus, consumption is estimated to reach its normal level this year after the disruption and labour shortage caused on account of the lockdown imposed in the country
- CAI has increased its cotton crop estimate for the 2020-21 season by 2.50 lakh bales to 358.50 lakh bales of 170 kgs each from its previous estimate of 356 lakh bales of 170 kgs each made during last month
- Record purchase of cotton by the government procurement agency has led to increase in prices as private players feared for shortage of cotton in the coming months.

- Current cotton procurement is being done above the MSP in Punjab due to the increased demand for cotton in the market as demand from cotton spinning mills that are placing bulk orders
- 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



## Frequently asked questions and their responses

What is the newly unveiled 'VISION 2025' of the company?

→ 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 25,000 Crore 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 Board has authorized its Strategy Committee to examine various rapid-growth strategies to derive growth in-line with 'VISION 2025'. The Strategy Committee shall explore various options including but not limited to the following:

- Unlocking Value for the shareholders through restructuring of existing businesses;
- Capital allocation strategies to improve return ratios;
- Expansion of existing businesses/ Diversification into new businesses through organic/ inorganic growth;
- Creation of focused business groups to generate synergies & explore business alliances;
- Optimization of leveraging capacity to create value for shareholders; and
- Penetration into new markets, product development, E-commerce & brand building

The Strategy Committee has been given a time period of 90 days to submit the detailed report to the Board for its consideration.

What is the dividend outlook for the current year?

➔ The company has been regularly paying dividend to its shareholders with the dividend payout increasing on yearly basis. However, Covid-19 pandemic and resultant lockdown announced by government had impacted the operations during the initial few months of the financial year. Subsequently management has focused on reduction of debt through regular repayments/ prepayments. The company envisage to reward its shareholders through regular dividend payouts or otherwise as per the decision of the Board in due course of time.

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. During the year, the company has paid its high-cost term loans amounting to INR 870.1 crores. Owing to the above initiatives the net debt levels of the company have reduced to level of INR 986.8 Crores at end of Dec 2020.

(INR Crores)

	Mar 2020	Dec 2020
Gross Debt	1951.8	1058.7
-Term Loans	1050.9	226.8
<i>Existing Loans</i>	<i>1024.4</i>	<i>157.2</i>
<i>Fresh Capex Loans</i>	<i>26.5</i>	<i>69.6</i>
-Non-Convertible Debentures	--	125.0
-Working Capital Loans	900.9	706.9
Net Debt	1614.5	986.8

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

What is the current status of capex projects being undertaken by the company?

➔ The capex project being undertaken by the company before the Covid-19 was Yarn Manufacturing units and Paper Upgradation project. Both the projects were put on hold owing to Covid-19 situation. The company has reassessed the viability of the projects owing to change industry dynamics and economic scenario and has decided the following:

- The yarn project was proposed to implemented at total cost of INR 1140.0 Crores and the implementation was under 3 phases. The company has decided to go ahead with implementation of single phase only and will review the capex in due course of time in line with the strategic planning to achieve 'VISION 2025'
- The company will not go ahead with the paper upgradation project proposed to be implemented at total cost of INR 222.0 Crores and a decision regarding its implementation will be taken at a later stage when market scenario improves
- In addition to above, the management has approved the diversification of the business operations under the Chemical Segment for production of 'Detergent Powder' with capacity of 10 MT/day and the project is expected to begun the commercial operations w.e.f. March 1, 2021. The cost of project is approx.. INR 33 lacs which will be met from internal accruals of the company

Update on the RoTDEP scheme announced by Govt. to replace existing export incentives? How much will be the benefit that will be available under new scheme?

➔ Company is presently receiving following export benefits:

Exports Benefits	Home Textiles
Duty Drawback	2.6%
Rebate of Central & State Levies	8.2%

The government has announced implementation of RoTDEP scheme w.e.f 1 Jan 2021. Under the scheme, the embedded central, state and local duties or taxes will get refunded and credited in an exporter's ledger account with customs. This can be used to pay basic customs

duty on imported goods. The credits can also be transferred to other importers. The RoDTEP rates, conditions and exclusions under which it can be availed would be specified by the government at a later date.

What is the nature of exceptional item appearing in Q3 FY21 results?

➔ The Company has, during the current quarter, sold its entire stake in equity shares of Lotus Hometextiles Limited ('LTL' or "Associate") including Company's equity shares held by subsidiary of Associate for Rs. 112.0 crores and consequently, LTL has ceased to be an Associate of the Company w.e.f. October 16, 2020. The accounting treatment of the same in the books of accounts has been done as per the Ind AS 28 "Investments in Associates and Joint Ventures".

a) In its Standalone financial statement of Profit and Loss, the profit on account of the sale of said investment at Rs. 48.7 crores (net of tax of Rs 8.3 crores), calculated as the difference between the net disposal proceeds and the carrying amount of the investment, which is the same as cost of acquisition on initial recognition.;

b) In its Consolidated financial statements, the Company has allocated net disposal proceeds between Investment in associate and treasury shares based on their respective fair value. The Company has recognised:

- gain on sale of treasury shares of Rs. 38.9 crores (net of tax of Rs 8.3 crores), calculated as the difference between allocated value of net disposal proceeds towards treasury shares and the carrying amount of the treasury shares, directly in equity.
- the loss on sale of above investment at Rs. 1.4 crores, calculated as the difference between allocated net disposal proceeds and the carrying amount of the said investment which is determined based on cost of acquisition on initial recognition and subsequently adjusted.

The Company has presented above profit or loss on the sale of said investment, as an exceptional item in the results for the quarter and nine months period ended December 31, 2020.

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 towards health and hygiene, work from home etc. The company has seen a strong Q2 and Q3 for Home Textile and the same trend is expected to continue in upcoming quarters. The order book visibility is already there for next 6 months 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. Replenishment of inventory in supply pipeline and government stimulus to individual are also the contributing factors to the enhanced capacity utilization in this segment.

E COM growth is going to surge further due to convenience and better choices and Brick& Mortar sales also sustain its 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 also reaching out to the Supermarkets & Hypermarkets.

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

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 and 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 has 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 appointment 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 Q3FY21?

➔ Our average negotiated rate for the current quarter has been at INR 73.99 per USD

What is the current hedging rate for FY21?

➔ Average Forward Hedged Rate for FY21 is around INR 75.88 per USD.

Can you provide guidance on EBITDA margins for FY21?

➔ On a full year basis, the company's will endeavor to achieve EBITDA margins around 18% to 20% on a sustainable basis.

For more information, please visit [www.tridentindia.com](http://www.tridentindia.com) OR contact:

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