TRIDENTGROUP™
Being different is normal

E-212, Kitchlu Nagar
Ludhiana – 141001
Punjab, India

Talk: +91 161 5039999
Fax: +91 161 5038800
Visit: tridentindia.com

TRIDENT/CS/2021
October 21, 2021

| | |
|---|---|
| The Manager<br>Listing Department<br>National Stock Exchange of India Limited<br>Exchange Plaza, Plot No. C/1, G Block<br>Bandra Kurla Complex, Bandra (E)<br>Mumbai – 400 051 | The Manager<br>Listing Department<br>BSE Limited<br>Phiroze Jeejeebhoy Towers<br>Dalal Street<br>Mumbai – 400 001 |
| Scrip Code:- TRIDENT | Scrip Code:- 521064 |

Dear Sir/ Madam

**Sub: Industry Outlook & Earnings Frequently asked questions**

Pursuant to Regulation 30 and other applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that to remain committed and transparent towards our stakeholders and maintain high corporate governance, the Company is providing herewith the latest updates on the Financial Results for Quarter and Half Year ended on September 30, 2021, industry outlook, way forward and response to the specific questions that may be helpful to answer the queries regarding the business and financials of the Company.

The same is also available on the website of the Company i.e. www.tridentindia.com .

This is for your information and records please.

Thanking you
Yours faithfully
For **Trident Limited**

RAMANDEEP KAUR
Digitally signed by RAMANDEEP KAUR
Date: 2021.10.21 21:09:26 +05'30'

**(Ramandeep Kaur)**
**Company Secretary**
ICSI Membership No.: F9160

Encl: As above

21/10/2021 TL/2021/015506

Trident Limited Q2 FY 2021-22

"Industry Outlook & Earnings Frequently Asked Questions"

21st October 2021

*Disclaimer: - Certain statements that are made or discussed may be forward looking statements. Such forward-looking statements are subject to certain risks and uncertainties like government actions, local political or economic developments, technological risks, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements. Trident Limited will not be in any way responsible for any action taken based on such statements and discussions and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.*

## Business Performance & Outlook:

We will be providing you with the latest updates on the financial results, industry outlook, and further discuss about the business and way forward, in the form of questionnaire with possible answers that will be an assistance to the queries of stakeholders. This information has been accumulated by taking inputs from the senior management, associated respective business leaders with the ownership of their business performance thereby articulating feasible insights and financials of the company in pragmatic data points.

We remain committed and transparent towards our stakeholders and always maintain high corporate governance.

In case of any further queries, please feel free to get in touch with Investor Relations team.

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"In the midst of chaos, there is also opportunity" – Sun Tzu

The post COVID-19 era has been a great change in functionality of the businesses including textile sector which was one of the worst hit sectors due to COVID-19 crisis. The impeccable vaccination drive has helped to fight against the outbreak with the decrease in covid positive cases and somehow, normalcy can be seen around. Further, it has been observed that the crisis has created a great opportunity for Indian economy focusing on Textile & Apparel Industry. With lifting of lockdowns, the demands have gained the momentum, but the third wave can't be overlooked. Issues such as rising shipping freights due to shortages of containers, fluctuation in cotton prices, delay in FTAs, etc might impact the business but on the other end, the sector is well supported by different government initiatives, better traceability of cotton, reduction in supply lead time and rising demand from India. Further, with entering FMCG, we have introduced a detergent, "Tri-safe", in our portfolio. We as a conglomerate with far vision and deep values, we make life prosper by overcoming all challenges.

The revenues of past quarter showed tremendous growth in home textile products because of vigorous demand and normalcy which continues and recorded highest ever revenue in Q2 FY22. Bath Linen Segment registered capacity utilization of 66% with growth of 2% Q-o-Q and Bed Linen operated at 86%. The top line has resulted prospects for the company as the reported growth of 42% on Y-o-Y basis and the EBITDA margin at 24.7% for Q2 FY22.

Paper segment has shown better sign for the company as an outcome of improvement in the situation of schools and offices resulting in increased demand. We have offered different type of papers and on the path to venture into use of paper products in different sectors. As of now, the revenue for paper segment has grown 42% Y-o-Y basis and EBIT margin is 23.9% for Q2 FY22.

## Performance Overview:

## Production Overview:

It takes lot of courage, efforts, and dedication of all the stakeholders, to have efficient production process in such times. We, as a Trident family, have overcome multiple challenges during COVID-19 and stayed committed to deliver to our clients. We have been robust and adaptive when it comes to be associated to technical advancements happening around the world. Further, as part of our Vision 2025, we are planning to implement such digitalisation in the firm that helps us to be vigilant and compete in the industry.

A brief snapshot of the production for Q2 FY22 with comparable analysis is mentioned below:

### Monthly Production Data

| Division | UoM | Jul-21 | Aug-21 | Sep-21 |
|---|---|---|---|---|
| Bath Linen | MT | 4691 | 4920 | 5202 |
| Bed Linen | Mn. Meters | 2.9 | 3.1 | 3.4 |
| Paper | MT | 14396 | 14721 | 13700 |

## Financial Overview:

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

- Net Revenue in Q2 2022 stood at INR 16,727 million compared to INR 11,744 Mn in Q2 2021
    - ✓ Home textile segment sustained the demand momentum in Q2 FY22 with Bath and Bed Linen Segment registering revenue growth of 22% and 19.5% on Y-o-Y basis respectively.
    - ✓ Sheeting segment registered ~ 86% capacity utilization during the quarter
    - ✓ Exports contributed to be robust with 67.7% contribution to total revenue for the quarter
    - ✓ Paper business reached capacity utilization of 98% during the quarter

- EBITDA for quarter stood at INR 4,129 Mn which translates into 24.7% EBITDA margin
- **Profit after tax** for the Q2 2022 stood at **INR 2,288 Mn**
- **Net Debt** reduced as on 30th September 2021 to reach level of **INR 10,454 Mn**, as against debt of **INR 12,320 Mn** as on 30th June 2021; Net Debt to Equity ratio stood at 0.29x and Net Debt to EBITDA ratio is 0.63x.

Coming to segment wise performance:

Textile Segment:

- **Revenue for segment stood at INR 14,067 Mn in Q2 FY22** vis-à-vis INR 9,908 Mn in Q2 FY21
- **EBIT for the segment improved to INR 2,977 Mn in Q2 FY22** vis-à-vis INR 1,149 Mn in Q1 2021

Paper and Chemicals Segment:

- **Revenue for the period stood at INR 2,560 Mn in Q2 FY22** vis-à-vis INR 1,809 Mn in Q2 FY21
- **EBIT for the segment during Q2 FY22 stood at INR 612 Mn** vis-à-vis INR 489 Mn in Q2 FY21

## Industry Outlook

Disclaimer: The current industry outlook reflects the progress of the last few quarters. The third wave could be a major concern along with for the industry in the times to come.

### Textile & Apparel Industry

The industry has suffered a lot in Covid-19 during first wave and further but with the decrease in Covid cases and smooth vaccination drive, the industry is on the path to revive and to some extent it already has, with the support of various government initiatives and robust demand globally. The main concern that might impact the stability is the third wave which is itself unpredictable in nature along with shortage of containers resulting into high freights. Overall, Indian textile & apparel sector is expected to do well in future globally.

Textile & Apparel Industry accounted for 2.3% of GDP, 13% to industrial production, 12% to exports of India as well as 5% - 6% of global trade in the industry. Schemes such as Integrated Textile Parks, TUFS and Mega Integrated Textile Region & Apparel scheme is going to play huge role in coming future.

### Home Textiles

USA and Europe are the major importers of home textiles 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 favourite'.

Huge demand has also resulted in excessive pressure on the logistics, as exporters are facing shortage of containers 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.

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% | 59% | | **India** | 39% | 39% | 42% | 44% |
| **China** | 21% | 19% | 14% | 12% | | **China** | 25% | 24% | 21% | 19% |
| **Pakistan** | 17% | 19% | 20% | 19% | | **Pakistan** | 20% | 21% | 21% | 21% |
| **ROW** | 12% | 12% | 14% | 10% | | **ROW** | 16% | 16% | 15% | 15% |

** (January 2021 – August 2021)*

As per the OTEXA data, India's share in US cotton sheets has increased in overall percentage terms to 59% in first eight months of calendar year 2021, whereas China and Pakistan have collectively lost around 3% share since last year. In terry towel segment, India's share has increased by 2% to 44% at present in CY 2021 as against 42% in last full year which China has lost about same 2%.

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 opening of schools and colleges, the demand that was hit due to the closure of these institutes amid the pandemic, has shown progressive signs as of now and is expected to rebound further in Q3 FY22.

- Writing printing paper demand is majorly dependent on Education, which has been seen recovering and normalize further in Q3 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 in October has lowered its final estimate for the crop for the current season by 1.5 lakh bales to 353 lakh bales of 170 kg each from 354.50 bales of 170 kg each.

- The total supply estimated by CAI for the entire cotton season is 488 lakh bales of 170 kg each consisting of opening stock of 125 lakh bales. of 170 kg each.

- The imports have been estimated to 10 lakh bales of 170 kg each for the crop season.

- CAI has estimated the domestic consumption for the entire crop year up to September 2021 to be 335 lakh bales of 170 kg each, an increase by 5 lakh bales of 170 kg each.

- CAI has increased exports for the season by 1 lakh bales to 78 lakh bales of 170 kg each from its previous estimates. The cotton export figure arrived by the CAI is higher by 28 lakh bales of 170 kg each from the previous year's cotton exports estimate of 50 lakh bales of 170 kg each.

- 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 stay range bound with positive biased to stay high for this crop season considering shortage in supply and issues for Kharif crops due to rainfall in the region.

## Frequently asked questions and their responses

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

➔ The company aims to achieve its Vision 2025 by following a two-fold strategy. Firstly, through enhancement of existing production capacities and secondly, through diversification into new businesses. As envisaged earlier, three yarn projects were proposed to be implemented, however due to COVID-19, the company decided to go ahead with implementation of single phase with 61,440 spindles and 480 rotors with the cost of INR 3380 million from which the yarn produced would be sold in the market as well as utilize towards captive consumption as raw material for manufacturing bath and bed linen. The said phase started commercial production on 27th July 2021.

Furthermore, following capex is being planned to be undertaken in coming period-

- **Another Spinning project** with around 1 lac proposed spindles at Budhni is being undertaken to enhance the capacity of yarn with project cost of **INR 5540 Million**.
- **Open End Spinning** project with around 3600 proposed rotors at Budhni with project cost of **Rs 1800 Million**.
- **Debottlenecking of sheeting plant** by 70,000 meters/day in capacity at Budhni with project cost of **INR 4680 Million**.
- **Power Plant** project of 16.3 Megawatt at Budhni with project cost of **INR 1750 Million**.

**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 October 21st, 2021, have recommended an interim dividend of 36% (INR 0.36 per Equity Share of Re. 1/- each) for the financial year 2021-22.

**Where do you see sales trending in the next 12-24 months?**

➔ As mentioned, we have registered highest ever top line this quarter and subsequently, in home textile and paper segment too. The Q-o-Q and Y-o-Y growth has been great so far and considering the robust demand and India emerging a hub for textile products, we can expect to flourish in terms of sales in coming future.

How are you going to use cash on the Company's Balance Sheet? How does the company plan to raise capital to fund future growth?

➔ The cash and cash equivalents are to meet any short-term obligations of the company and to assist in working capital as well as assistance to Capex plans. Further, we have plans to raise capital through debt and equity components to have efficient capital structure.

What is the possible reasons India growing in Textile & Apparel Industry as whole which will benefit Trident as a company?

➔ There are numerous reasons that has benefitted India as a country in Textile & Apparel Industry including competitive advantage of raw material i.e., better traceability of cotton, integrated supply chain which results in reduction in supply lead time, increasing market share in global market specifically US, government re-instating RoSCTL, RoDTEP & Mega textile park schemes.

What are the possible concerns that can have impact on the company future earnings?

➔ There can be many unpredictable concerns but as a business entity we can outline below possible reasons:

- Exposure to volatility in cotton prices
- Fluctuation in foreign exchange (forex) rates
- Working capital intensive operations
- Susceptibility to slowdown in the end-user market
- Competition in home textile segment

However, we expect the company to grow and have better standing in the market considering the robust demand globally.

How far in terms of market share gain do you believe that India as a country can reach in near future?

➔ India has strong market share in bed sheet and terry towel in US. There have been numerous reports stating of issue related to Xinjiang and increase in cotton exports from India. We expect to have good demand in coming future. We have 59% market share for US imports in FY22* as compare to 52% in FY22 i.e., 7% increase in cotton sheets. The terry towels have also shown an increase of 2% market share in terry towels.

Are there any talks regarding the FTAs with the EU that can benefit India as a country and Trident too?

➔ Yes, indeed, as per the reports, the government is trying to conclude such agreements that will benefit the industry and as a business entity, reduction in import duties by EU will have positive impact on the company's earning.

What has been the company's effort to promote own brands growth via e-commerce?

➔ The company has undertaken following activities to promote own brands growth-

- Launch of own E-commerce websites in India and US
- Increased presence in new geographies like US and Middle East
- Started own warehouse operation to increase market penetration in India
- Use of Machine Learning and AI Analytics to optimize costs and add sustainable profits

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 10,454 Mn at end of September 2021.

(INR Million)

| | **30-Sep-21** | **30-Jun-21** |
|---|---|---|
| **Gross Debt** | **13008** | **14421** |
| *Short Term Loans* | *9,207* | *10,648* |
| *Long Term Loans* | *3,801* | *3,773* |
| **Cash & Cash Equivalents** | **2,554** | **2,102** |
| **Net Debt** | **10,454** | **12,320** |

The company intends to optimize the leveraging capacity in line with growth objectives to create value for the stakeholders.

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.

What are the reasons for enhanced capacity utilization in Paper segment?

➔ As mentioned, the capacity utilization for paper segment has been 98% in Q2 FY22 which is highest recorded ever. The possible reasons can directly be connected to demand arising from the market as we have moved to normalcy after the pandemic. We have also launched the Trident MYCHOICE notebooks which are delivered to the market and end consumer through online and offline mediums. The launch of our e-com website mytrident.com has shown great enthusiasm from the customers.

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 feedback.

- AI powered chatbot for employee engagement, and digital library focusing on learning, development, and up-skilling of the employee.

**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 an impeccable Q2 for Home Textile and the trend is expected to remain strong. 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. As per various reasons, India as a country has shown tremendous growth and we as a company are part of it.

**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. 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 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 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 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 Q2FY22?

➔ Our average negotiated rate for the current quarter has been at INR 75.02 per USD

What is the current hedging rate for FY22?

➔ Average Forward Hedged Rate for FY22 is around INR 76.32 per USD.

For more information, please visit www.tridentindia.com OR contact:

Abhinav Gupta/Rahul Sharma

Trident Limited

Tel: +91 161 5039 999

Fax: +91 161 5039 900

Email: corp.relations@tridentindia.com