

TRIDENT/CS/2022  
January 18, 2022

The Manager Listing Department National Stock Exchange of India Limited Exchange Plaza, Plot No. C/1, G Block Bandra Kurla Complex, Bandra (E) Mumbai – 400 051	The Manager Listing Department BSE Limited Phiroze Jeejeebhoy Towers Dalal Street 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 Nine Months ended on December 31, 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](http://www.tridentindia.com).

This is for your information and records please.

Thanking you  
Yours faithfully  
For **Trident Limited**

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

Encl: As above

18/01/2022

TL/2022/019601



Trident Limited Q3 FY 2021-22  
“Industry Outlook & Earnings Frequently Asked Questions”

18<sup>th</sup> January 2022

*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.

---

“Success is when preparation and opportunity meet” – Bobby Unser

Textile industry has observed significant rebound and growth in the domestic as well as global market after the outbreak of COVID-19. The sector has utilized the opportunity in best possible manner which can be validated by the increase in business and exports. Textile exports up by 31% in FY22 which is nearly about US\$ 30 bn as compared to US\$ 21 bn in FY21. The textile ministry mentioned the sector has maintained trade surplus with exports higher than imports. With lifting of lockdowns, the company has worked in direction to serve its stakeholders and will continue to strive growth in future. Issues such as rising freights charges due to shortage of containers, cotton prices and possibly another wave might impact the sector margins. Although, the government has various schemes initiated for the sector along with low cotton prices domestically, better lead time and China+1 strategy has brought focused into Indian market globally. The importers have started looking for different suppliers after US passed its law related to imports from Xinjiang region which accounts for 20% of globally produced cotton which has helped Indian suppliers to come into picture. We see far more opportunities for Indian Textile sector in times to come. 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 Q3 FY22. Bath Linen Segment registered capacity utilization of 69% with growth of 3% Q-o-Q and Bed Linen operated at 99%. The top line has resulted prospects for the company as the reported growth of 54% on Y-o-Y basis and the EBITDA margin at 20.7% 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 approx. 38% Y-o-Y basis and EBIT margin is 23.1% for Q3 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 Q3 FY22 with comparable analysis is mentioned below:

Monthly Production Data

Division	UoM	Oct-21	Nov-21	Dec-21
Bath Linen	MT	5,382	4,902	5,284
Bed Linen	Mn. Meters	3.79	3.37	3.65
Paper	MT	13,365	12,962	13,039

## Financial Overview:

Comment on financial performance for the quarter ended 31<sup>st</sup> December 2021:

- Net Revenue in Q3 2022 stood at INR 19,611 million compared to INR 12,949 Mn in Q3 2021
  - ✓ Home textile segment sustained the demand momentum in Q3 FY22 with Bath and Bed Linen Segment registering revenue growth of 34% and 26% on Y-o-Y basis respectively.
  - ✓ Sheeting segment registered ~ 99% capacity utilization during the quarter
  - ✓ Exports contributed to be robust with 71.5% contribution to total revenue for the quarter
  - ✓ Paper business reached capacity utilization of 91% during the quarter
- EBITDA for quarter stood at INR 4,063 Mn which translates into 20.7% EBITDA margin
- Profit after tax for the Q3 2022 stood at INR 2,091 Mn
- Net Debt increased as on 31<sup>st</sup> December 2021 to reach level of INR 14,849 Mn, as against debt of INR 10,454 Mn as on 30<sup>th</sup> September 2021 mainly due to procurement of cotton during the procurement season; Net Debt to Equity ratio stood at 0.41x and Net Debt to EBITDA ratio is 0.91x.

Coming to segment wise performance:

### Textile Segment:

- Revenue for segment stood at INR 17,059 Mn in Q3 FY22 vis-à-vis INR 11,078 Mn in Q3 FY21
- EBIT for the segment improved to INR 2,871 Mn in Q3 FY22 vis-à-vis INR 1,445 Mn in Q3 2021

### Paper and Chemicals Segment:

- Revenue for the period stood at INR 2,520 Mn in Q3 FY22 vis-à-vis INR 1,824 Mn in Q3 FY21
- EBIT for the segment during Q3 FY22 stood at INR 581 MN vis-à-vis INR 389 Mn in Q3 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 rebounded well in FY22\* considering the demand and needs of customers after the covid outbreak. The sector has shown positive signs 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 supply chain constraints. Overall, Indian textile & apparel sector is expected to do well in future globally. As per various published reports, the domestic industry is expected to be valued at US\$ 220 Bn with CAGR growth of 10%-12% by 2025-26.

Textile & Apparel Industry accounted for 2% of GDP, 13% to industrial production, 12% to exports of India as well as 5% 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. It is observed that the sales have rebounded better in this quarter motivating us to further excel and work towards our stakeholder's interest. 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. Further, the paper industry is progressing as with opening of educational institutions. We hope to continue the same performance for future.

#### 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%	57%	India	39%	39%	42%	44%
China	21%	19%	14%	12%	China	25%	24%	21%	19%
Pakistan	17%	19%	20%	20%	Pakistan	20%	21%	21%	21%
ROW	12%	12%	14%	11%	ROW	16%	16%	15%	16%

*\* (January 2021 – November 2021)*

As per the OTEXA data, India's share in US cotton sheets has increased in overall percentage terms to 57% in first eleven months of calendar year 2021, whereas China has lost around 2% 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.

India's textile and apparel exports to the United States, its single largest market, were up 55% in the first seven months of 2021. The share of the India's textiles and apparel exports in mercantile shipments was 11% in 2019-20.

#### **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 Q4 FY22.
- Writing printing paper demand is majorly dependent on Education, which has been seen recovering and normalize further in Q4 FY22 considering the covid waves in future.
- 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 in case there is no constraints related to covid.

### Cotton Outlook

- CAI has estimated cotton crop for the 2021-22 crop year at 360.13 lakh bales of 170 kgs. each, which is equivalent to 382.64 lakh running bales of 160 kgs. each.
- The crop estimated for the 2021-22 season is more by 7.13 lakh bales of 170 kgs. each (equivalent to 7.58 lakh running bales of 160 kgs. each) than the previous year's crop of 353.00 lakh bales of 170 kgs. each (equivalent to 375.06 lakh running bales of 160 kgs. each).
- The CAI Crop Committee estimated total cotton supply till end of the 2021-22 Season i.e., up to 30<sup>th</sup> September 2022 at 445.13 lakh bales of 170 kgs. Each.
- Domestic consumption for the 2021-22 crop year is estimated by the CAI at the same level as in the last year i.e., at 335.00 lakh bales of 170 kgs. each.
- The exports of cotton season 2021-22 estimated by the CAI are 48.00 lakh bales of 170 kgs. each as against 78 lakh bales of 170 kgs. each estimated for 2020-21.
- The cotton exports for the month of October 2021 and November 2021 collectively recorded for 7 lakh bales of 170 kgs. each as compared to 12 lakh bales of 170 kgs. each last 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 stay range bound with positive biased to stay high for this crop season considering shortage in supply.



## 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 27<sup>th</sup> 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.

Current State: The projects are under implementation stage with on-going soil testing/development work and discussions/ finalization of contracts for plant & machinery procurement are also under way.

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

➔ We have been delivering consistently for last three quarters in FY22 and have recorded highest quarterly revenue for Q3FY22. Considering the increasing market share of India in global space, we expect the sales to continue in the same momentum. We also expect the business to rise with time by venturing into new market and through different mediums domestically & globally.

Why are the margins affected this quarter considering past quarter performance?

→ We have observed record high cotton prices this year domestically and globally. The company has undertaken negotiations with customers for price increase to minimize impact as well as taken cost reduction measures.

As per the status, China+1 strategy has already played the role for India. How can you be so sure this capacity addition plan will be correct?

→ We have observed increase in demand in domestic as well as international markets. Trident is consolidated in every manner and ultimately, we will become better since it is said big becomes bigger. It takes time for a company to mark its presence in the industry which Trident has spent it well. Considering, multiple parameters like compliances, setting up plants, relationship with customers, credibility, etc. Trident has been placing itself decent in the market. The domestic and e-commerce market will be lucrative, and we have plans to make our presence at these levels in coming future. Market penetration is good in terms of demand in India, and we have already started working towards it. Therefore, we believe our capex plans has realistic view since we are targeting international, domestic and E-commerce market as well.

What is your Go to Market strategy for domestic market?

→ We have majorly focused on price points and quality points to penetrate in the market and have possible market share domestically. Basically, we are targeting the domestic front through MBO's where we have opened and are opening outlets and E-commerce platform. We have launched our e-commerce website mytrident.com and have presence on other shopping platforms to reach maximum possible customers. Domestic share in our total revenue is approx 29%.

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. The cash deposits have decreased due to payment of dividend worth of 183 crores and advance tax payment of approx. 92 crores.

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

→ There are numerous reasons that have benefitted India as a country in the 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 the global market specifically US, government re-instating RoSCTL, RoDTEP & Mega textile park schemes. The steady development and growth of India's share in the global market gives us reasons to have a positive outlook for the industry and as registered highest quarterly revenue we expect further growth for us. The cotton produced in Xinjiang accounted for 20% of global produced cotton which has been banned by US for use also gives opportunity to us. Considering China's trend in import of cotton and yarn also justifies the same with a drastic shift in the export/import mechanism of cotton.

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

→ There can be many unpredictable concerns but as a business entity we can outline the following 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 the 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 the near future?

→ India has a strong market share in bed sheet and terry towel in US. There have been numerous reports stating of issues related to Xinjiang and an increase in cotton exports from India. We expect to have good demand in the coming future. We have 57% market share for US imports in FY22\* as compared to 52% in FY21 i.e., 5% increase in cotton sheets. The terry towels have also shown an increase of 2% market share in terry towels. Therefore, India has created its position in the US market and is not dynamic in nature considering the continuous market share in US.

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
  - Expanding in ROW market
  - Possible partnering license globally
  - Local Influencers

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 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 had reduced to level of INR 10,454 Mn at end of September 2021. Further, on account of cotton procurement in cotton procurement season which eventually increased its debt commitments which resulted Net debt of INR 14,849 Mn as on 31<sup>st</sup> December 2021.

(INR Million)

	31-Dec-21	30-Sep-21
<b>Gross Debt</b>	<b>16,086</b>	<b>13,008</b>
<i>Short Term Loans</i>	<i>12,268</i>	<i>9,207</i>
<i>Long Term Loans</i>	<i>3,818</i>	<i>3,801</i>
<b>Cash &amp; Cash Equivalent</b> s	<b>1,237</b>	<b>2,554</b>
<b>Net Debt</b>	<b>14,849</b>	<b>10,454</b>

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.

The supply shift from our neighboring countries has helped us to participate further globally and fulfil the demand of consumers in best possible way which shows clearly since sheeting business & towel business has recorded capacity utilization of 99% & 69% respectively.

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.

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.

We have started integrating with multiple online portals where we have observed significant demand and expect to increase our presence through FBA (Fulfilled by Amazon) & FBM (Fulfilled by Merchant) with the help of our warehouse.

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
- Possible hedging strategy for cotton and exchange

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 Q3FY22?

→ Our average negotiated rate for the current quarter has been at INR 75.23 per USD

What is the current hedging rate for FY22?

→ Average Forward Hedged Rate for FY22 is around INR 76.92 per USD.

For more information, please visit [www.tridentindia.com](http://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](mailto:corp.relations@tridentindia.com)