



Trident Limited Q4 FY 2020-21

“Industry Outlook & Earnings Frequently Asked Questions”

15th May, 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 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.

The second wave of Covid-19 has spread swiftly throughout the country and has resulted in several states going into self imposed lockdown/ curfew. The lessons learnt from last year during the first wave were implemented quickly but the current variant of the Covid is more potent and is impacting the near and dear ones. Health infrastructure across the country has come under severe pressure. The bright spot has been the countries across the world coming together and supporting each other during the hour of crisis. The coordinated efforts of Central and State governments alongwith faster rollout of vaccination program has controlled the impact, however the situation remains volatile and health and safety of the citizens is the need of the hour.

Trident has also been leading the fight against Covid-19 with our primary concern being the well being of our 16000+ strong workforce and their families. Dedicated location wise teams have been setup across various locations to provide support to the effected employees. In addition to above, free vaccinations, active covid testing, door to door delivery of food and medicines, paid leaves for covid patients and many such initiatives have been taken under our initiative of "Fighting Together. Healing Together"

During Q4 FY2021, Home Textiles business has shown tremendous momentum with capacity

utilization of 61% in Bath Linen segment. On Bed Linen side, the company registered capacity utilization of 92%. Revenues for the quarter are up by 36% on Y-o-Y basis and EBIDTA margins continue to be robust despite no provisioning of RoTDEP on account of non-availability of confirmed rates. Efforts undertaken during the financial year has resulted in business being better able to adapt to current situation and has led to double digit contribution from E-Commerce mode to the overall business. Paper business lead a recovery in Q4 with both volumes and realizations improving by 9% and 10% respectively. However, during the current quarter, the grim situation owing to second wave of Covid-19 may hamper the momentum of last quarter.

The first quarter of previous financial year was impacted by Covid-19 which was an exceptional situation beyond the control of company, the performance numbers should be looked at from 2nd quarter of FY 2021 to look at the business performance and its sustainability.

A brief overview of the sustained increase in capacity utilization across the 4 quarters of previous financial year is given below:

Quarterly Production Data

Segment	UoM	Production			
		Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21
Bath Linen	MT	6492	13615	13845	13722
Bed Linen	Mn. Mtrs	4.15	9.68	10.88	9.95
Paper	MT	24509	34932	38232	40188

Segment	Capacity Utilization			
	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21
Bath Linen	29%	61%	62%	61%
Bed Linen	38%	90%	101%	92%
Paper	56%	80%	87%	92%

In terms of financials for the quarter ended 31st Mar 2021:

- **Net Revenue in Q4 FY21 stood at INR 1352.6 crores** compared to INR 997.3 crores in Q4 FY20
 - ✓ Home Textile segment sustained the demand momentum in current quarter with **Bath and Bed Linen Segment registering revenue growth of 52% and 109% on Y-o-Y basis** respectively.

- ✓ Sheeting segment registered ~92% capacity utilization during the quarter
- ✓ Exports contributed to be robust with 64% contribution to total revenue for the quarter
- ✓ Paper business reached capacity utilization of 92% during the quarter led by recovery in demand
- EBIDTA for quarter stood at INR 238.2 crores which translates into 17.6% EBIDTA margin
- Profit after tax for the Q4 FY21 stood at INR 75.6 crores
- Net Debt reduced as on 31st March 2021 to reach level of INR 1423.2 Crores on account of prepayment of loans amounting, as against net debt of INR 1614.5 Crores as on 31st March 2020; Net Debt to Equity ratio stood at 0.4x

Coming to the segment wise performance:

Textile Segment:

- Revenue for segment stood at INR 1131.9 crores in Q4 FY21 compared to INR 776.7 crores in Q4 FY20.
- EBIT for the segment improved to INR 119.9 crores in Q4 FY21 vis a vis INR 33.1 crores in Q4 FY20

Paper & Chemicals Segment:

- Revenue for the period stood at INR 218.4 crores in Q4 FY21 compared to INR 214.0 crores in Q4 FY20.
- EBIT for the segment during Q4 FY21 stands at INR 60.8 crores vis a vis INR 57.8 crores in Q4 FY20

Industry Outlook

Disclaimer: The current industry outlook is being provided based on the progress made during the last few quarters. Going forward, any increase in new variant of Covid-19 cases and subsequent actions by local governments will be major variables 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.

Moreover during the Q1 FY22 owing to increase in number of cases of Covid-19 cases and state wise different variations of lockdown, there has been an increase in orders from the global retailers owing

to uncertainty regarding the supply chain going into lockdown. While during first wave of Covid-19, the inventory pipeline of these retailers dried up quickly owing to total lockdown in India, however, anticipating reoccurrence of such situation in India and other countries, global retailers have increased their orders

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%	60%	India	39%	39%	42%	43%
China	21%	19%	14%	11%	China	25%	24%	21%	20%
Pakistan	17%	19%	20%	19%	Pakistan	20%	21%	21%	22%
ROW	12%	12%	14%	9%	ROW	16%	16%	16%	15%

**(January 2021 – March 2021)*

As per the OTEXA data, India share in US cotton sheets has increased in overall percentage terms to 60% in first 3 months of calendar year 2021. The same is on expense of China and ROW which have combinedly lost around 8% share since last year. In the terry towel segment, India's share is up by 1% to 43% as on Mar 2021 as against 42% 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 effective 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 current 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, we expect the volumes as well as realizations to improve in upcoming quarters barring severe impact on account of Covid-19.

Cotton Outlook

- The Cotton Association of India (CAI) in its April estimate of the cotton crop for the season 2020-21 beginning from 1st October 2020 has reduced its cotton consumption estimate for the current crop year by 15 lakh bales to 315 lakh bales of 170 kgs each from its previous estimate of 330 lakh bales of 170 kgs each
- The cotton consumption this year is likely to take a hit because of the ongoing COVID19 pandemic and lockdown in most of the states
- The consumption now estimated for the current crop year is, however, higher by 65 lakh bales compared to the previous year's consumption estimate of 250 lakh bales of 170 kgs each
- CAI has retained its production estimate for the season 2020-21 at 360.00 lakh bales of 170 kgs each
- With regard to cotton imports, the estimate of cotton imports into India has been retained at 11 lakh bales of 170 kgs each. The imports now estimated for the 2020-21 crop year are less

by 4.50 lakh bales of 170 kgs each from 15.50 lakh bales of 170 kgs. each estimated for the 2019-20 crop year.

- Record purchase of cotton by the government procurement agency has led to increase in prices in Q4 FY21 however the same have reduced slightly on account of covid related lockdown impact leading to closure of several mills
- 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? 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 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 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 payout for the current year?

➔ 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. 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 1423.2 Crores at end of Mar 2021. While term debt has reduced by INR 749 Crores, the working capital has increased on account of increase in inventory on year end due to cotton season till March month and increase receivables.

(INR Crores)

	Mar 2021	Mar 2020
Gross Debt	1535.5	1951.8
-Term Loans	302.9	1050.9
<i>Existing Loans</i>	2.0	1024.4
<i>Fresh Capex Loans</i>	175.0	26.5
-Non-Convertible Debentures	125.0	--
-Working Capital Loans	1233.6	900.9
Net Debt	1423.2	1614.5

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 which is near completion 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 .

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?

➔ Till December 31, 2020 the Company was receiving following export benefits:

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

However, 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. As the rates under RODTEP have not been announced till date, the income on account of benefits under the new scheme has not been recognized for the quarter ended March 31, 2021.

What is the nature of exceptional item appearing in Q4 FY21 and FY21 results?

➔ **Exceptional Income-** The Company has, during the previous 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 Ind AS 28 "Investments in Associates and Joint Ventures".

- a) In its Standalone financial statement of Profit and Loss, the profit on account of 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.
 - 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 ended December 31, 2020 and year ended March 31, 2021.

A) Exceptional Expense- The Joint Inspection team of Ministry of Textiles, appointed by Technical Advisory-cum-Monitoring Committee (TAMC) has reached final stage for issues relating to Amended Technology upgradation fund scheme (A-TUFS) and previous versions of Technology upgradation fund scheme vide their final report dated March 02, 2021. Based on final report, the Company has, during the current quarter, capitalized excess capital subsidies and interest subsidies of Rs 12.4 Crores and reversed excess interest subsidies of Rs. 17.8 Crores. Further, the Company has during the current quarter provided additional depreciation charge of Rs. 5.2 Crores on above excess capital and interest subsidies amount and interest on reversal of such excess interest subsidies of Rs. 7.5 Crores pertaining to earlier years. The Company has adjusted the amount of excess capital subsidies, excess interest subsidies and interest on excess capital subsidies/excess interest subsidies aggregating to Rs 37.7 Crores from the amount of interest subsidies receivable from the Central Government in the absence of demand letter from the Central Government. Total amount of Rs 30.4 Crores towards reversal of excess interest subsidies, provision of interest on excess interest and capital subsidies and depreciation charge on excess capital subsidies pertaining to earlier years has been shown under exceptional item in the results for the current quarter and year ended March 31, 2021.

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 Q4 for Home Textile and the trend is expected to improve in current quarter and financial year as second wave of Covid-19 has extended the work from home concept and with several states of India going into self imposed lockdown, the global retailers anticipating impact on supply chain have increased the order volume so as to maintain continuity in their supply chain. 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 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-pone 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.

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 Q4FY21?

➔ Our average negotiated rate for the current quarter has been at INR 74.21 per USD

What is the current hedging rate for FY22?

➔ Average Forward Hedged Rate for FY22 is around INR 75.81 per USD.

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

Abhinav Gupta/Ajay Singla

Trident Limited

Tel: +91 161 5039 999

Fax: +91 161 5039 900

Email: corp.relations@tridentindia.com