



Trident Limited Q4 FY 2021-22  
“Industry Outlook & Earnings Frequently Asked Questions”

30<sup>th</sup> May 2022

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## 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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The textile industry, which has seen demand slump in fiscal year of 2021 owing to onset of the COVID-19 pandemic, is firmly on course to recover in fiscal 2022 on the back of reopening of businesses, educational institutions, and retail outlets. Sanctions on Chinese textiles have boosted Indian textile exports and government announcements such as the Production Linked Incentive (PLI) scheme setting up mega textile parks, extension of the Rebate of State and Central Taxes and Levies scheme will support the sector. It has resulted into highest ever textiles and apparels exports in FY22 at USD 44.4 bn, a growth of 41% and 26% over corresponding figures in FY21 and FY20 respectively. However, the geo-political tensions, rising inflation, supply chain constraints and high commodity prices will be key factors to observe going forward. Within textile space, cotton yarn demand is expected to rebound a sharp 25-30% year-on-year in the current fiscal year, primarily because of recovery in ready-made garment demand. Exports will be on the rise as Indian yarn prices are lower when compared to competing countries. The government is negotiating trade agreements with major textile importers, the UK, and US, which once signed, will improve the export competitiveness of Indian manufacturers. The technical matters of the textile industry have improved a lot in recent years. In the time to come, we anticipate a lot more prospects for the Indian textile industry. 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 has fallen by 5.5% Q-o-Q in Q4FY22 due to demand outlook considering rising inflation. Bath Linen Segment registered capacity utilization of 46% and Bed Linen operated at 80%. Overall, the company has reported growth of 55% on Y-o-Y basis and the EBITDA margin at 18.4% for 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, notebooks, cup stocks, etc 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. 39% Y-o-Y basis and EBIT margin is 23.8% 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 quarterly production and quarterly capacity utilization for FY22 with comparable analysis is mentioned below:

#### Quarterly Production Data

Segment	UoM	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Bath Linen	MT	14,034	14,813	15,568	10,322
Bed Linen	Mn. Meters	9.17	9.40	10.81	8.69
Paper	MT	37,127	42,817	39,366	38,933

#### Quarterly Capacity Utilization

Segment	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Bath Linen	62%	66%	69%	46%
Bed Linen	85%	87%	99%	80%
Paper	85%	98%	91%	89%

## Financial Overview:

Comment on financial performance for the quarter ended 31<sup>st</sup> March 2022:

- Net Revenue in Q4 2022 stood at INR 18,531 million compared to INR 13,526 Mn in Q4 2021
  - ✓ Home textile segment sustained the demand momentum despite of global issues in Q4 FY22 with Bath and Bed Linen Segment registering revenue growth of 34% on Y-o-Y basis.
  - ✓ Sheeting segment registered ~ 80% capacity utilization during the quarter
  - ✓ Exports contributed to be robust with 57% contribution to total revenue for the quarter
  - ✓ Paper business reached capacity utilization of 89% during the quarter
- EBITDA for quarter stood at INR 3,335 Mn which translates into 18% EBITDA margin
- Profit after tax for the Q4 2022 stood at INR 1,735 Mn
- Net Debt increased as on 31<sup>st</sup> March 2022 to reach level of INR 12,972 Mn, as against debt of INR 10,454 Mn as on 30<sup>th</sup> September 2021 mainly due to procurement of cotton; Net Debt to Equity ratio stood at 0.34x and Net Debt to EBITDA ratio is 0.86x.

Coming to segment wise performance:

### Textile Segment:

- Revenue for segment stood at INR 15,699 Mn in Q4 FY22 vis-à-vis INR 11,319 Mn in Q4 FY21
- EBIT for the segment improved to INR 2,437 Mn in Q4 FY22 vis-à-vis INR 1,199 Mn in Q4 2021

### Paper and Chemicals Segment:

- Revenue for the period stood at INR 2,774 Mn in Q4 FY22 vis-à-vis INR 2,184 Mn in Q4 FY21
- EBIT for the segment during Q4 FY22 stood at INR 594 Mn vis-à-vis INR 608 Mn in Q4 FY21

## Industry Outlook

Disclaimer: The current industry outlook reflects the progress of the last few quarters. The rising inflation and high commodity prices can be major concerns for the industry in the times to come.

### Textile & Apparel Industry

People and institutions associated with this industry hoped to see a great comeback in 2022\*, overcoming the setback during the past 2 years due to the pandemic situation. With the assistance of several government initiatives and strong worldwide demand, the sector has showed promising prospects. Cotton prices have increased at steep rate year on year as well as quarter on quarter basis, which have resulted in lesser output and sale this quarter. India is now recognized as the largest producer of cotton and jute garments in the world. The Indian textile industry is aiming to export products worth \$40 to \$100 billion within 2027. In India's apparel export basket, USA's share has increased by 9% whereas, UAE's and UK's share has declined by 3% and 2% respectively since 2019.

Now, the domestic apparel and textile industry in India contributes 5% to the country's GDP, 7% of industry output in value terms and 12% of the country's export earnings. India is the 6<sup>th</sup> largest exporter of textiles and apparel in the world. However, these values are expected to increase this year, making this industry one of the leaders in the Indian economy.

### Home Textiles

The United State and Europe are the world's largest importers of home textiles. Sales have decreased when compared quarter on quarter basis due to rising inflation but have stayed consistent year on year basis, inspiring us to continue to excel and work in the best interests of our shareholders.

Increasing input costs (cotton prices), rising energy prices and global logistics issues continued to weigh on the margin front. Best possible efforts are being performed to control these adversities and counter it through our strong in-house manufacturing capabilities, well recognized branding, and innovative product offerings. However, with the government's help in the form of extending ROSCTL benefits through March 2024, the sector is likely to thrive successfully. This is supposed to offer stability and ensure Indian products' competitiveness in international markets.

We developed bedsheets with thermal regulation, improved wicking, and temperature control properties as the market leader in sleep solutions. Another important aspect of our product offerings has been our commitment to sustainability. Recycled polyester, hemp fabric, natural dyes and other materials have been used to create our items. We expect to maintain the same level of performance in the 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%

*(Period- Jan to Dec)*

As per the OTEXA data, India's share in US cotton sheets has increased in overall percentage terms to 57% in 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 2021.

### Paper

- With opening of schools, colleges, corporate offices, the demand that slumped due to the closure of these amid the pandemic, have shown progressive signs in this quarter as well and is expected to rebound further in Q1 FY23.
- Although there has been increase in the input cost and energy consumption prices this quarter, and production are like that of Q3 FY22.

## Cotton Outlook

Note – All the numbers are in bales of 170 kgs each

- The CAI has further reduced its cotton crop estimate on 14<sup>th</sup> May 2022 for the 2021-22 season by 11.50 lakh bales to 323.63 lakh bales from its previous estimate of 335.13 lakh bales on 30<sup>th</sup> September 2021.
- The total cotton supply for the months of October 2021 to April 2022 is estimated by the CAI at 358.49 lakh bales, which consists of the arrivals of 277.49 lakh bales, imports of 6 lakh bales and the opening stock estimated by the CAI at 75 lakh bales at the beginning of the season.
- The domestic consumption is now estimated by the CAI at 320 lakh bales as against 340 lakh bales estimated previously.
- The exports for the season have been estimated at 40 lakh bales. The exports estimate for the previous cotton season 2020-21 was of 78 lakh bales.
- The imports for the Season estimated at 15 lakh bales that is at the same level as estimated previously as against the previous year's import estimates of 10 lakh bales.
- Stock at the end of April 2022 is estimated at 122.49 lakh bales including 78 lakh bales with textile mills and the remaining 44.49 lakh bales with the CCI, Maharashtra Federation and others (MNCs, traders, ginners, MCX, etc. including the cotton sold but not delivered).
- The carry-over stock which was earlier estimated at 40.13 lakh bales is now estimated at 53.63 lakh bales. The previous year's stock was estimated by CAI at 75 lakh bales.
- State wise production is as affected – GJ (-5), MH (-5), MP (-1), TL (-2), KN (-0.5) & TN (+2) lakhs of bales of 170 kgs each.
- 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 like value added and specialized yarns.

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 to be implemented in a wholly owned subsidiary
- 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 including infrastructure development work and plant & machinery procurement are also under way. We expect to commence the new projects on time as per the target deadline (September 2023).

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

➔ We have been delivering consistently throughout the fiscal year FY22. Considering the increasing market share of India in global space, we expect the sales to continue in the same momentum if ongoing issues like geopolitical tensions, high commodity prices, rising inflations, etc. are resolved. However, the next two quarter might be challenging for the industry. We also expect the business to rise with time by venturing into new market and through different mediums domestically & globally.

Can you comment on cotton sheets & terry towel margin is declining whereas Pakistan market share has increased in it?

➔ Indeed, we have observed about the decline in market share recently. One of the reasons is high depreciation in Pakistan Currency. However, we hope going forwards with the FTA being explored with the UK & EU; Indian Textile Industry will gain advantage.



Is demand coming from exports or domestic?

→ The demand is more from exports this year which has accounted for 65% of our annual revenue. However, we have seen slump in our exports turnover for Q4FY22 which accounted for 57% of sales considering the demand scenario globally due to rising inflation and geopolitical tensions resulting into high commodity prices.

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

→ We have observed record high cotton prices this year domestically and globally. The margins are impacted because of high input costs in both textile and paper business. The company has undertaken negotiations with customers for price increase to minimize impact as well as taken cost reduction measures which will result in sustainable margins.

Would rising input cost impact the margins going forward?

→ It highly depends on the cotton procurement season which starts in September depending on the weather and production of cotton although government has planned for reliefs for this industry in coming future. We might say couple of next quarters will be difficult considering the cotton scenario and rising inflation resulting into high input cost.

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 & EBO's as well where we have opened and are opening outlets and E-commerce platform. Domestic share in our total revenue is approx. 35% in FY22.

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 Capex plans. Further, we have plans to raise capital through debt and equity components to have efficient capital structure.

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
- Increase in input cost for paper business
- Fluctuation in foreign exchange (forex) rates
- Working capital intensive operations
- Susceptibility to slowdown in the end-user market
- Rising inflation
- Competition in home textile segment
- Geopolitical tensions

However, we expect the company to have sustainable growth going forward but the short-term period might be challenging considering above mentioned concerns.

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

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 Q4FY22?

➔ Our average negotiated rate for the current quarter has been at INR 75.64 per USD

What is the current hedging rate for FY22?

➔ Average Forward Hedged Rate for FY22 is around INR 77.35 per USD.

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

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