



## Trident Limited Q4 FY 2019-20 “Industry Outlook & Earnings Frequently Asked Questions”

16<sup>th</sup> May, 2020

*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.

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The outbreak of Coronavirus (Covid-19) pandemic globally and in India is causing significant disturbance and slowdown of economic activity. In many countries including India, businesses are being forced to cease or limit their operations for long or indefinite period of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Covid-19 is significantly impacting business operation of the companies, by way of interruption in production, supply chain disruption, unavailability of personnel, closure / lock down of production facilities etc. On March 24, 2020, the Government of India ordered a nationwide lockdown for 21 days which further got extended till May 17, 2020 to prevent community spread of Covid-19 in India resulting in significant reduction in economic activities.

Trident Limited extended its support and cooperation towards all Government Initiatives/ Directions for combating the escalating COVID-19 situation. Keeping in mind the safety and well-being of its employees as top priority, the Company decided to temporarily shut down its manufacturing facilities and offices, as per the directions/ guidelines issued by the Central / State Governments.

During the year, the company faced several headwinds including lower traction in Home Textile segment which alongwith reduced realizations in Yarn and Paper Segment impacted the revenue as well as profitability. Further to above withdrawal of MEIS benefit from March 07, 2019 has also resulted in reversal of income booked during the first two quarters and at the end of the year,

owing to the suspension of operations due to lockdown across the country, the revenue for latter part of March 20 got impacted which is usually the time period of high dispatches. As a result, the capacity utilization and revenue target for the year could not be met.

A brief overview of the capacity utilization and production for FY20 is given below:

Capacity Utilization:

Business Segment	FY19	FY20
Bath Linen	49%	48%
Bed Linen	63%	60%
Yarn	98%	92%
Paper	89%	86%

Production:

Business Segment	Unit	FY20
Bath Linen	Metric Tons	43332
Bed Linen	Million Metres	25.89
Yarn	Metric Tons	106460
Paper	Metric Tons	149952

The company is expecting gradual improvement in production cycle in the next 2 quarters subject to lifting of lockdown and supply chain to get normalized.

The company has undertaken several measures during the period of lockdown

1. Preventive shutdown maintenance of manufacturing plants across both locations
2. Enabling work from home facility for the employees across the organization with facility of advance payment of salary
3. Partnering with Meditation live for physical and mental wellbeing of the employees during lockdown
4. Introduction of Anti-Microbial technology as standard across home textile and paper product range
5. Social media campaign as well as utilization of TV medium for launch of new range of products across different categories:
6. Launch of Protective fabrics range including Medical Gowns, Masks, Personal Protective Suits, Anti-Microbial Surgical Cotton Rolls, Yoga Mats, Wellness Bathrobes under 'Jivani' brand
7. Launch of a whole range of new products under 'Tri-Giene' brand like tablecloth, table runner, placemats, napkins, mattress cover, Kitchen Boa Scarf, Tri-safe Anti-microbial and UV Protective

Suncoat, Laundry Bag

8. Anti-Microbial Bath Collection for kids under 'Curious minds' range, Crib Fitted Sheets, Swaddle Wrap, Wearable Blanket, Baby Swaddle, Burp Cloth & Bib
9. Undertaken technological advancement with offerings now including new fibre blends, new finishes/ coating, Eco friendly and high performance
10. Upgradation of existing product portfolio with increased focus on products offering Health care & Hygiene, antibacterial and antiviral properties

The above initiatives as well as product launches have been well received and a lot of enquiries and interest has been coming from various quarters including government agencies. Anti-microbial treatment being standardized across terry towel range has been appreciated by our export customers.

In terms of financials for the year ended 31<sup>st</sup> March 2020:

- Net Revenue in FY20 stood at INR 4723.9 crores compared to INR 5265.3 crores in FY19
- EBITDA for FY20 stood at INR 865.3 crores which translates into 18.3% margin
- Profit after tax for the FY20 stood at INR 341.8 crores translating to EPS of INR 0.67
- Finance cost for FY20 reduced to INR 110.8 crores as compared to last year cost of INR 112.3 Crores
- Net Debt reduced significantly in FY20 to reach level of INR 1614.4 Crores as compared to previous year on account of decrease in working capital utilization and increase in cash and cash equivalents, as against net debt of INR 2343.7 Crores as on 31<sup>st</sup> March 2019; Net Debt to Equity ratio stood at 0.5x and Net Debt to EBITDA at 1.9x

Coming to the segment wise performance:

Textile Segment:

- Revenue for segment stood at INR 3777.6 crores in FY20 compared to INR 4222.9 crores in FY19.
- EBIT for the segment reduced to INR 301.8 crores Y-o-Y as compared to 341.8 Crores in FY19.

Paper & Chemicals Segment:

- Revenue for the period stood at INR 922.5 crores in FY20 compared to INR 997.0 Crores in FY19.
- EBIT for the segment during the period stands at INR 310.0 crores Y-o-Y as compared to INR 370.2 Crores in FY19.

## Industry Outlook

We are not providing the segment wise outlook of the industry owing to the ongoing lockdown situation in the country and across the globe due to Covid-19 pandemic. In this evolving situation, the duration and the overall adverse impact due to this shut down is not immediately assessable and depends on further directions from the Governments. We would be sharing the updated industry outlook along with the first quarterly results for FY 2020-21.

## Frequently asked questions and their responses

How the Covid-19 pandemic has impacted the company and its operations?

- ➔ In light of the unprecedented situation owing to the spread of COVID-19, the management of Trident Limited extended its support and cooperation towards all Government Initiatives/ Directions for combating the escalating COVID-19 situation. Keeping in mind, the safety and well-being of its employees as top priority, the Company decided to temporarily shut down its manufacturing facilities and offices, as per the directions/ guidelines issued by the Central / State Governments.

What is the liquidity position of the company?

- ➔ As on end of March 2020, the company has cash surplus of Rs 622 Crores which includes cash and cash equivalents of Rs 318 Crores and unutilized working capital limits of Rs 304 Crores.

What is the status of existing orders of the company?

- ➔ The dispatches which were scheduled during the latter part of March 2020 were kept on hold owing to unavailability of logistics during the ongoing lockdown. However, gradually with the ease up of restrictions by the authorities, the dispatches have begun on domestic as well as export front

The existing orders have been rolled over to Q1/Q2 of the current financial year looking into the lockdown situation. In this evolving situation, the duration and the overall adverse impact due to this shut down is not immediately assessable and depends on further directions from the Governments.

Has the operations of the company begun? If yes, at what capacity utilization and the current status of dispatches?

- ➔ The company has manufacturing facilities at two locations- Barnala, Punjab and Budni, Madhya Pradesh. After getting necessary permissions from respective authorities and ensuring compliances related to Covid guidelines, the company has begun partial

operations at both the locations with limited manpower.

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 which are currently on hold owing to country wise lockdown. The company is reassessing the implementation schedule and viability in view of the changed economic scenario.

What is the guidance for the revenue, EBIDTA and capacity utilization for FY 20-21?

- ➔ The company has begun partial operations after getting permission from respective authorities and is in regular touch with its business partners. The company would be able to provide the guidance for the revenue, EBIDTA and capacity utilization for the current financial year along with the next quarterly results.

Has company availed benefit of moratorium on servicing of EMIs?

- ➔ Yes, the company has opted to avail the RBI Covid relief package under which moratorium of 3 months towards servicing of interest and instalments on the working capital and term loan facilities has been provided. However, the company has serviced its interest commitments on few of the term loans including the loans where benefit of interest subsidy under Central and State Government scheme is being availed by the company.

What is the nature of adjustment in the revenue of the previous quarter Q3 FY20?

- ➔ In view of Ministry of Textiles, Government of India's Gazette Notification number CG-DL-E-15012020-215423 dated January 14, 2020, the Company had, during the previous quarter reversed the Merchandise Export from India Scheme (MEIS) benefit of Rs. 486.8 million and Rs. 531.6 million for the period from March 07, 2019 to September 30, 2019 in the standalone financial results and consolidated financial results respectively and has reduced the same from the amount of revenue from operations which was shown under exceptional items in the results for the quarter ended December 31, 2019.



Company's receivables have reduced significantly in FY20 as compared to previous year? What are the reasons?

- ➔ In order to reduce the cash realization cycle from its debtors, the company has initiated several measures during the year including
- The company has entered into arrangement with several banks to provide channel finance facility to its domestic customer base including dealers and distributors
  - The company has also tied up with international banks to avail facility of non-recourse discounting of its receivables from its export customers

The above initiatives have helped the company to reduce its receivables and improve the Cash to Cash Cycle

What was the average realization (USD/INR) rate in Q4FY20?

- ➔ Our average negotiated rate for the current quarter has been at INR 71.85 per USD and INR 71.36 per USD for FY20

What is the current hedging rate for FY20?

- ➔ Average Forward Hedged Rate for FY20 is around INR 73.57 per USD.

What is the hedging strategy/policy of the company?

- ➔ For hedging export receivables, forward covers are taken for a maturity up to 6-12 months. The hedging strategy division wise is as under:
- Terry Towel Division: Hedging is done on monthly rolling basis at 40%-60% of sales replenishment.
  - Yarn/ Paper division: Hedging is done on order to order basis. Whenever any order is confirmed, it is hedged by forward cover.

What is the other income besides the FOREX gain or loss that you are showing in the P&L account?

- ➔ New accounting standard does not allow to net the interest expenditure with the interest income. But this is broadly the treasury income in terms of our investments into Liquid / FD based current investments.

How would the recent reduction in corporate tax rate by the government benefits the company?

- ➔ Government of India has reduced Corporate Tax rate from 35% to 25% (including surcharge and ED cess) which is applicable from 1 April'2019. The company has elected to exercise the option permitted under Section 115BAA of the Income Tax Act, 1961 as introduced by Taxation Laws (Amendment) Ordinance, 2019 and accordingly, the company has recognized provision for taxation and re-measured its deferred tax liabilities based on the rates prescribed in the said section. The impact of such change is to be recognized over the year ending March 31, 2020 since the company has used effective tax rate for full financial year.

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

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