Moderator: Good Day, Ladies and Gentlemen and Welcome to the Trident Limited’s Earnings Conference Call. As a reminder, all participants’ lines will be in the listen only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing ‘*’ then ‘0’ on your Touchtone Phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nishid Solanki of CDR India. Thank you and over to you, sir!

Nishid Solanki: Thanks you. Good afternoon and thank you for joining us on Trident Limited’s Q1 and FY2017 Earnings Conference Call. Today, we are joined by senior members of the management team including Mr. Pawan Jain – Director, Corporate Affairs, Mr. Gunjan Shroff - Chief Financial Officer and Mr. Nikhil Dalmia - Vice President, Investor Relations. We will commence the call with opening remarks from the management following which we will have an interactive Question-and-Answer Session.

Before we begin, I would like to highlight that certain statements made on the conference call today may forward-looking in nature and a disclaimer to that effect has been included in the earnings presentation shared with you earlier.

I would now like to invite Mr. Pawan Jain to make his initial remarks. Thank you and over to you, Sir!

Pawan Jain: Thank you, Nishid. Good morning everyone. Thank you for taking time out to join us today on Trident Limited’s Q1 FY2017 Earnings Conference Call. I would take you to some of the key developments that took place during the quarter as well as share the operational performance of the company across business segments, while Mr. Gunjan Shroff, our CFO will share the financial highlights.

I am pleased to share that we demonstrated solid financial and operational performance during the quarter and have posted our highest-ever quarterly Revenues, EBITDA and PAT. Revenues grew by 31.6% to Rs. 1,166.3 crore whereas EBITDA has increased by 24.1% to Rs. 247.1 crore. Subsequently, our PAT has also increased significantly to Rs. 78.5 crore, growing at 26.1% on year-on-year basis. All this was a result of strong off take registered in home textiles segment supported by our various strategic initiatives towards
strengthening our marketing and designing team, expanding our global reach & product range and better customer service. Given this start, we are confident of outperforming our guidance of 15%-20% in FY2017.

Let me also share some key developments with respect to initiatives undertaken towards new product launches and branding. We recently launched an exclusively crafted range of Bed Linen and Bath Linen collection at HGH India, 2016. Apart from launching its uniquely crafted niche products such as Nectar Soft, Mélange and Air Rich collections, offering a complete home textile solution, we also showcased our latest festive gift & Macron collection. I am glad to share that the response for these high-end products has been encouraging so far. Further, we have entered into a licensing agreement with ELLE DÉCOR to launch an exclusive range of Home Textile products under the world renounced lifestyle brand ‘ELLE DÉCOR’ in India. We believe this is a significant development for us as we look to strengthen our portfolio in the premium segment of Bed and Bath Linen categories.

I would also like to add that we have been conferred with the prestigious ‘JC Penney Innovation Award 2015’ at the JC Penney International Supplier Summit held at Hong Kong on June 22, 2016. This accolade is a huge motivation for our team and highlights the company sustained efforts towards product innovation and quality excellence.

Let me now give you segment wise perspectives.

During the quarter, revenues from Textiles improved by 40% year-on-year to Rs. 959 crore on account of better traction in Home Textiles space across markets ably supported by our above mentioned marketing initiatives undertaken during the last year. We also witnessed encouraging start to the Bed Linen segment which was commissioned recently and achieved technology stabilization in Q4 FY2016. We expect this momentum to continue owing to our growing order book as well as positive response to our Bed Linen brands in both domestic and international markets.

Further, we have enhanced our share of our high-margin value-added Yarn and Compact Yarn as against the Low Count Yarn in the product mix. Our capacity utilization for the Terry Towel plant stood at 65% based on loom capacity and 93% for Yarn business, while the new Bed Linen plant operated at 10% utilization. Please note that this was the first full quarter for the Bed Linen segment so, we are pleased with the ramp up and remain on track to achieve 40% utilization by the end of the year. We have also expanded our Home Textiles brand presence to 294 MBOs across India.

Moving to our Paper segment, revenues maintained its momentum with 93% capacity utilization and strong improvement in profitability i.e. EBITDA and EBITDA margins. Margins enhanced significantly driven by higher contribution of value added Copier Paper. The contribution of Copier Paper was 52% in Q1 FY2017. We will continue to focus on modern retail across India in order to improve our brand presence. Currently, our brands are present in more than 133 modern retail outlets pan India.
To conclude, I would like to add that we will continue our efforts on marketing in order to significantly approve our utilization levels in Home Textiles. Overall, we are best placed to optimally sweat our global scale capacities over the next two years. Since major CAPEX now behind us, this will help sustain our performance and also generate healthy free cash flows which we believe will create significant value for our stakeholders.

In-line with our dividend policy, the board has declared its first interim dividend for the year FY2017 at the rate of 6% on equity shares.

With that, I would like to hand over the call to Mr. Gunjan Shroff who will share the financial performance of the company.

**Gunjan Shroff:** Thank you, Pawan and Good Afternoon everyone. I will share the financial highlights for the quarter ended June 30th, 2016.

During quarter under review, our net revenues stood at Rs. 1,166.3 crore, higher by 32% compared to Rs. 886 crore in Q1 of FY2016. EBITDA improved by 24% at Rs. 247 crore, translating into an EBITDA margin of 21%. Depreciation has increased to Rs. 104 crore vis-à-vis Rs. 81 crore on account of full year depreciation for recently commissioned Bed Linen unit. We were also able to earn healthy PBT of Rs. 102 crore vis-à-vis Rs. 73 crore in Q1 of FY2016 thereby, growing again at a healthy rate of 39%.

Profit after-tax grew by 26% to Rs. 78.5 crore vis-à-vis Rs. 62 crore in the corresponding quarter of last year. Just to add, the profit after-tax as per the recently amended Indian Accounting Standards ‘Ind AS’ would actually grow by 32% to Rs. 90.2 crore vis-à-vis Rs. 69 crore in the corresponding quarter of previous year.

Let me also give you a segment wise performance of the Company.

In Q1 of FY2017, revenues from Textile segment stood at Rs. 959 crore against Rs. 683 crore Q1 of FY2016, representing an increase of 40% year-on-year.

EBIT was higher by 24% at Rs. 105 crore against Rs. 85 crore in Q1 of FY2016 while the EBIT margins came at 11%. Healthy performance of Textiles segment was driven by higher traction in Home Textile products and changing the product mix to higher count and value added Yarn from Low Count Yarn.

In the Paper segment, revenues came at Rs. 207 crore compared to Rs. 203 crore in Q1 of FY2016. In the Paper segment, EBIT increased by 36% at Rs. 59 crore translating into EBIT margin of 28.3%, higher by 700 basis points year-on-year. Improvement in margins was an account of higher contribution of value added Copier Paper to Paper revenues and increased operational efficiencies as well.
Coming to our financial parameters as on 30th June, 2016, our gross debt has been at around Rs. 3,300 crore. Our net debt has been at Rs. 2,914 crore resulting in improving our net debt to equity ratio of 1.6x. During the quarter, we repaid outstanding term loans of Rs. 156 crore including high cost debt of Rs. 54 crore. We would like to share that more than 70% of long-term debt carries lower interest rate as it is covered under TUF scheme. As a practice, we would continue to repay high cost term debt ahead of our repayment schedule which will strengthen our balance sheet and also help reduce the overall financial costs.

Finance cost during the year has declined by 6% to Rs. 42 crore led by a combination of factors including working capital utilization as well as Interest Equalization Scheme. Our cash accrual recorded a solid growth of 27% at Rs. 182 crore. We have further reduced our working capital operating cycles to 52 days from 68 days on year-on-year basis by reducing inventory holding days.

With this, I would request the moderator to open the forum for questions please. Thank you.

**Moderator:** Thank you very much. We will now begin with the Question-and-Answer Session. The first question is from the line of Dhruv Bhimrajka from Cresta Investments. Please go ahead.

**Dhruv Bhimrajka:** My question is regarding the volumes, can you give us the volume numbers for Home Textiles and Paper.

**Pawan Jain:** We would not be able to share the volume numbers, but the volume growth in Paper business is around 1% and in Yarn business it is around 23%.

**Dhruv Bhimrajka:** Yarn is 23%?

**Pawan Jain:** Yes, and Home Textile it is a 40%+.

**Dhruv Bhimrajka:** So that is year-on-year quarter, right?

**Pawan Jain:** Yes, year-on-year.

**Dhruv Bhimrajka:** So, these are very robust numbers?

**Pawan Jain:** Yes.

**Dhruv Bhimrajka:** How do you see our share in the U.S. market, can you tell me what is the U.S. market contribution to our total sales?

**Pawan Jain:** So, about 60% to 65% comes from U.S. and close to 15% to 20% comes from Europe.
Dhruv Bhimrajka: Okay. So we are stabilizing there or we are increasing our market share in those markets?

Pawan Jain: Obviously we are working towards increasing our volumes, that will primarily come from U.S. and then secondarily, from Europe and then rest of the world.

Dhruv Bhimrajka: Right. And if I am not wrong, we do not have any more CAPEX plans going forward?

Pawan Jain: As of now, there is no CAPEX plan, only maintenance CAPEX, which may be close to Rs. 50 crore.

Dhruv Bhimrajka: Right, that is fine, that might be 1% or 2% of the total, right?

Pawan Jain: Yes, that is right.

Moderator: Thank you. The next question is from the line of Vikram Suryavanshi from Phillip Capital. Please go ahead.

Vikram Suryavanshi: I just wanted to understand how this Cotton price volatility is impacting us and how we are seeing it going forward and what will be our strategy for that?

Pawan Jain: So Cotton prices have strengthened towards the end of this quarter particularly and if you see the last three months, Cotton prices have already appreciated by around 30% to 35% and since we are holding Cotton until September 2016 so, that will not have any impact on our bottom-line so far. And going forward, we believe that the new Cotton season which comes in around October, at that point of time the prices of Cotton will soften, but it will not go to last year’s level, it will be a little higher than last year.

Vikram Suryavanshi: Okay. And how is the pricing in terms of Yarn and Home Textiles?

Pawan Jain: The prices of Yarn will be adjusted with the current prices of Cotton, so Yarn realizations have started improving towards the end of this quarter and Yarn prices are already up by about 15% as compared to previous quarter. However, since it has happened towards the end of last quarter, there is an order book of up to 40 days - 45 days so, that will start coming in, in the next quarter.

Vikram Suryavanshi: Okay. And post BREXIT, how are we seeing the European markets and what kind of growth are we expecting in those markets?

Pawan Jain: So, the European markets as of now also is a larger proportion of our overall revenue but Pakistan and Bangladesh are having benefit of FTA which is not available to Indian manufacturers so, we are still at a stage where we do not foresee any negative impact due to BREXIT. So we had recently in H2 of FY2016, had incorporated new wholly owned subsidiary in London and opened a new office there. We
are already in the process of strengthening our design team there and marketing team, so that will start delivering the results from this quarter.

**Moderator:** Thank you. The next question is from the line of Nihal Jham from Edelweiss. Please go ahead.

**Nihal Jham:** My question pertains to Yarn, just wanted to understand, what has led to this strong 23% volume growth in Yarn? And secondly, you mentioned that prices of Yarn are 15% higher Q-o-Q, I am assuming Cotton has increased more than that, so the Yarn margins possibly may come down?

**Pawan Jain:** We had started our new Yarn facility for Bed Linen unit only in Q4 and it was operational only for 45 days in that quarter. So, in this quarter, it is fully operational and in Yarn spinning you can achieve 90% plus kind of utilization in the first quarter itself. Since our Bed Linen is at 10% capacity utilization currently, so whatever Yarn we are having in our Bed Linen facility that we are selling it to outside.

**Nihal Jham:** So, this 23% is outside sales or it is increase in production?

**Pawan Jain:** It is an increase in sales on an overall basis.

**Nihal Jham:** Okay, that includes inter-company sales also?

**Pawan Jain:** Yes, that is right.

**Nihal Jham:** And how have the margins moved in Yarn, over the last two quarters and also comparatively on a year-on-year basis?

**Gunjan Shroff:** The margins have definitely improved on a quarter-on-quarter basis for the last two quarters and were are hopeful for the current quarter also, that the margins should be consistently better for Yarn division.

**Moderator:** Thank you. The next question is from the line of Abhilasha Satale from First Global. Please go ahead.

**Abhilasha Satale:** I want to understand the margin improvement that has come mainly from the Paper division. In Paper, our EBIT margins have improved from 21% to 27% and in Home Textiles, it has gone down from 12% to 11% so, this is despite our Home Textile sales going up in terms of volumes of 40% year-on-year. We see that other players who are integrated they are making in access of 20%-25% in Home Textiles. So how do we see our margins improving going forward? And this margin improvement in Paper division is sustainable?
**Pawan Jain:** Margins in paper business is sustainable because we have a location advantage to procure the raw material within 50 kilometers of radius so, that is helping us to obtain our raw material at a much better rate and that is helping us in terms of overall margin improvement in paper business.

Secondly, we are continuously enhancing our proportion of capacity allocation towards Copier Paper which, where we have launched about five brands in the domestic market and we are selling our Copier Paper brand abroad also. So, that is helping us to improve our margins in Paper business. With respect to Home Textiles, our endeavor right now is to improve our utilization levels and pick up our volume order book and for that some of the realizations need to be settled at that point of time. Our endeavor is to improve the order book first.

**Abhilasha Satale:** So have we taken any price cuts or discounts?

**Pawan Jain:** It is not about price cuts or discounts, it is basically passing on whatever benefit you have in terms of lower raw material costs or whatever you need to pass on to the customers.

**Abhilasha Satale:** Okay. So as compared to other players, are we pricing our products at a lesser price?

**Pawan Jain:** It is not like that. Whatever orders which we are supplying today to these international customers, we had booked it six months back, so if you take the six-month back period, then yarn was down as compared to the last year by about 10% to 11% so, at that point of time if you pass on 4% to 5% to your customers, then it helps to build your order book. So, we had booked our orders accordingly. As of today, if you book the orders for your customers, you take the current prices of Yarn, but that order will be delivered six months down the line.

**Abhilasha Satale:** Right. So at current Yarn prices, your overall costs will increase by 5% to 7% in the third or fourth quarter, then will that be passed on to the customers?

**Pawan Jain:** See, that is where your vertical integration benefit would come in play. Since we are vertically integrated manufacturer in both Towel and Bed Linen, we have advantage in terms of controlling the costs right from Cotton to the end product.

**Abhilasha Satale:** Yes, but Cotton prices have also moved up.

**Pawan Jain:** To respond to your question other way, till Q2 of FY2017, we already have the cotton stock which we had procured in March 2016. So, that will not impact our margins till that period and from October onwards whenever the new Cotton season comes, the prices are definitely anticipated to soften from here but we do not anticipate the cotton prices to soften from last year’s levels.
Abhilasha Satale: Okay, now coming on the margin question again, suppose for Yarn division our margins remain stable with current Cotton Yarn spread then how do you see our Home Textiles margin panning out in the second-half?

Pawan Jain: Obviously, if you make more money in terms of margins in Yarn business, than you have to loose some of the margins in Home Textiles business. So on an overall basis, our guidance in terms of margins will remain intact.

Abhilasha Satale: In Yarn, we are losing, right. Yarn margins have gone down during the quarter and in Q2 maybe we will have some margin gain.

Pawan Jain: We are not closing as far as Yarn margin is concerned; it is a Textile margin which is percentage down as compared to the corresponding quarter.

Abhilasha Satale: Okay. So we see our margins to remain at the same level?

Pawan Jain: Yes, that is right.

Abhilasha Satale: Even if we increase our production from Home Textiles?

Pawan Jain: Yes, that is right.

Abhilasha Satale: Okay. And what is the margin increase in Copier Paper as compared to this normal paper. How much additional are we getting because 700 basis points increase is huge increase in the margin.

Pawan Jain: We get around 4% to 5% higher in Copier Paper margins as compared to the Writing and Printing Paper which we sell it in sheets or in form.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: With respect to your debt level, your mentioned about Rs. 2,900 odd crore of net debt, could you attribute it to the segment where the money has been allocated and what kind of enhanced capacity are we expecting to supplement this year?

Gunjan Shroff: Actually our debt is largely in the Textiles space because Paper is almost like debt free. In Paper segment, we hardly have any debt, it is insignificant amount of debt there, so whatever debt we have is on account of new capacities which we have very recently added in the last two years and most of these debts are under TUF. So, we do not have too much debt otherwise other than the Textiles segment.

Saket Kapoor: What is the interest obligation in percentage?
Gunjan Shroff: Rs. 40 crore a quarter.

Saket Kapoor: No, I am asking percentage, what is the percentage?

Gunjan Shroff: 4% to 5%.

Saket Kapoor: Okay. Then it is in a very comfortable level. For Textiles, could you give the break-up between what percent of revenues are coming from Yarn, Bed Linen and Terry Towel segment?

Pawan Jain: We are not disclosing Yarn, Bed Linen and Terry Towels separately, we report the numbers as Textiles division as a whole.

Saket Kapoor: But just to get an understanding, since you are vertically integrated in that sense, what are the advantages because you are in best position to take full advantage since you are starting from the spinning to the end product?

Pawan Jain: If you see Textiles, there are only two major risk factors- one is Cotton price fluctuation and other is currency fluctuation. So vertically integrated business model is more resilient to such shocks in terms of volatility of cotton prices. When you make more margins in Yarn, than you loose some in Home Textiles and vice versa.

Saket Kapoor: Cotton availability as a whole will be difficult for coming years on a global basis because China was supposed to have a huge inventory and was not buying Cotton, thereby Cotton prices were down or even subdued for a long period and now this sudden spike that has come in the last six months, so how are you seeing the Cotton story already now playing up with China being the dominant player?

Gunjan Shroff: Actually Indian Cotton had been competitive up to the last Cotton season and now, Indian Cotton prices are in-line with international prices. In fact, it is good for companies that the Cotton prices have grown up because it is now at par with the international Cotton prices, so obviously there is a higher probability of a pass on kind of benefit because now it is not only Indian centric though India is the second biggest cotton producer in the world. So, overall if the Cotton prices is internationally at par, it helps companies like us and we expect prices to be in tandem internationally. So, till last time Cotton prices were cheaper in India by almost 10% to 12% to 15%, now they have come at a same level as available today you know MCX or NCDEX.

Saket Kapoor: No, you mean to say there is a discount prevailing in the Cotton prices when compared to the international market?

Gunjan Shroff: Yes, Indian Cotton was cheap compared to international prices.

Saket Kapoor: And what led to that discount?
Gunjan Shroff: Because India as such is a high cotton production country and Government of India was not really letting raw Cotton getting exported. In the past, Cotton was not exported, the Government of India had done a lot of controls for Indian Cotton not getting exported. But that is internationally prices are as good as Indian Cotton and if you want to buy it from U.S. it will be same price.

Saket Kapoor: In the Yarn segment, are we into compact Yarn producing or some other grade?

Gunjan Shroff: Yes, we are into compact Yarn manufacturing as well.

Saket Kapoor: Entire portfolio of Yarn is compact or what percentage is compact and what is the price differential in percentage term.

Gunjan Shroff: Nowadays, compact Yarn has become quite a basic necessity, means now a days no one is manufacturing old version of Yarns so, compact Yarn is more or less a given reality. In line with times, we are also manufacturing higher proportion of compact Yarns.

Saket Kapoor: And the price differential if you could give some idea.

Gunjan Shroff: The price difference between a normal compact and a normal 30s combed Yarn is not significant anymore, so we are working on compact Yarns only.

Pawan Jain: So it is a more of the quality which these global customers need in terms of better products. The end products will be better if you prepare that product from the compact Yarn.

Moderator: We will move to our next question which is from the line of Arjun Senger from Reliance Mutual Fund. Please go ahead.

Arjun Senger: Firstly, you said current prices are 35% higher compared to last year and compared to the inventory of cotton that you hold right now. So say suppose the Cotton prices go down may be by 10% in the new season so, you will still have this 25% higher Cotton compared to last year. So, would you able to pass on all of that or would you have to share the burden?

Pawan Jain: Whenever we have new orders with the customers, we definitely work on the current pricing of Cotton or Cotton Yarn. So, if we are booking the orders right now which may be delivered after 5 – 6 months kind of period, than the costing will be at current prices and in October whatever will be the prices, the costing will be done on that basis.

Arjun Senger: So, your margin would be maintained?

Pawan Jain: Yes, that is right.

Arjun Senger: At any cotton price, is that correct?
Pawan Jain: Yes. As of now for Q2 because we are having the Cotton stock

Arjun Senger: No, I am talking beyond that.

Pawan Jain: Beyond that, for the next six months, our order book is already at a rate which is intact with our margin.

Arjun Senger: Okay. Can you give us some idea on how will GST impact you?

Pawan Jain: So, GST because most of our Home Textiles and even 30% of Yarn is exported, so for export-oriented revenue the GST is zero, which is neutral and we do not have any impact there. Wherever we do not know as of now whether the other products which is sold in domestic market that come under the basic products category or in higher bracket of the GST taxation, whatever it will be there that will have some negative impact in terms of selling to the domestic market so, since our share in the domestic market is lower in Home Textiles and Yarn we have 30% exports, about 30% to 35% we are consuming in-house, so only a certain percentage which we will be able to sell in the domestic market there is some impact there.

Arjun Senger: But exports, you are saying will be no impact?

Pawan Jain: Yes that is zero, neutral.

Moderator: Thank you. The next question is from the line of Sandeep Sabharwal from Sun Capital. Please go ahead.

Sandeep Sabharwal: I think your stock has been under a lot of pressure because people in general are believing that because of Cotton price rise your margins will get squeezed and profitability will get squeezed, so as per your own analysis that is unlikely to happen so, that is something which you are clarifying, right?

Pawan Jain: Right.

Sandeep Sabharwal: Okay. And second thing on Bed Linen capacity, you are looking at going from 10% to 40% by the end of this year so, you have orders in place to achieve that?

Pawan Jain: Bed Linen is an integrated project right from spinning, weaving and then processing and cut-stich-pack so, we already achieved about (+90%) utilization in Yarn spinning, we had achieved about 40% utilization in weaving also and this 10% is the only way of final processing that has happened.

Sandeep Sabharwal: Yes, that I understand so, you are looking at that being 40% by the end of this year?
Pawan Jain: Yes, that is right. We have visibility for order book, so all our customers have already approved the facility and they had given us the certification. They are already working on the trial runs and the orders will accrue in the Q3 and Q4.

Moderator: Thank you. The next question is from the line of Ashutosh Garud from Reliance Wealth. Please go ahead.

Ashutosh Garud: Just on Textile margins, one of the key benefits of vertical integration is you’re your margins are not supposed to get affected and here we are actually seeing that your margins have come down and you mentioned that the current Q1 margins would be continued going ahead, but given the fact that we are vertically integrated and also the new capacity coming into operation, would it not there be any operational leverage which we would be having and plus the advantage of vertical integration where the margin if not improved should be actually protected?

Pawan Jain: It is not that in vertical integration by rise in Cotton prices or Yarn prices it will not impact our vertically integrated model, but the impact is much lesser as compared to the standalone unit in spinning or in weaving or in processing. So, I mean to say that it is having a negligible kind of impact in terms of overall cost changes in the raw material prices.

Ashutosh Garud: And on the operational leverage because of the higher volume growth which you are expecting?

Pawan Jain: Yes, that is there, the efficiency levels will be higher.

Ashutosh Garud: No, but would that not actually help you have a better margins then what you were doing historically?

Pawan Jain: Yes, obviously because when you get the orders in final product of Home Textiles whether it is Towel or Bed Linen, you can move margins because more value addition is there in those products.

Ashutosh Garud: So, the reason why I am asking, earlier you mentioned that the current margins would be continued but as the production from the new capacity will be increasing to 40% so, would not there be case where the margins would be higher in coming quarters as compared to what we have reported now?

Pawan Jain: So, we are not giving guidance in terms of a particular segment, on an overall company basis we are giving a guidance of 18% to 20% margins sustainable.

Ashutosh Garud: On Textiles?

Pawan Jain: No, on overall company basis.
Ashutosh Garud: On overall company basis.

Pawan Jain: Yes.

Ashutosh Garud: And what is the contribution of Copier Paper in your Paper revenues?

Pawan Jain: In Q1 FY17, it is around 53%.

Ashutosh Garud: And what was it one year back?

Pawan Jain: It was a little less than 50%.

Ashutosh Garud: Then on a year-on-year basis, there is only 4 percentage - 5 percentage increase in the revenue mix is that, right?

Pawan Jain: Yes, that is right and the other is the raw material cost, the raw material which is wheat straw and that is available in plenty within the 50-kilometer radius, so that also helped in terms of cost in Q1 FY17.

Ashutosh Garud: But that would be the case last year also, right?

Pawan Jain: No, I mean to say that as compared to the corresponding period the raw material cost is little lower.

Ashutosh Garud: But does that explain the entire 700 basis points improvement?

Pawan Jain: Yes, that is right. Both the factors, one is the Copier Paper, the other thing is the branded products in Copier Paper, so earlier if you see last year the branded percentage was less than 50% but we are selling certain Copier Paper in other brands also. So, now it is more of our own brands.

Moderator: Thank you. The next question is from the line of Sumant Kumar from Elara Capital. Please go ahead.

Sumant Kumar: My question is regarding Yarn sales growth of 23% so, what you have said 15% sales realization growth so, can we assume 8% volume growth and what is the outlook for Yarn price and Yarn sales going forward?

Pawan Jain: So, in Yarn 23% we are talking about is the volume growth, it is not the realization of 15% which we are talking that is the prices which is there towards the end of the quarter, it does not mean that we will get 15% throughout the year, because whenever these Cotton Yarn prices are adjusted to the current Cotton prices so, we have about 40 days - 45 days of order book in hand. So that we will be able to
deliver that the old rates only. So if you see the realization in Yarn business that is improved in this quarter by 4%.

**Sumant Kumar:** Okay. So, you are talking about the 15% Yarn price increase Y-o-Y?

**Pawan Jain:** Yes, but that is as of present situation which is towards the end of the quarter, March quarter it was not there.

**Sumant Kumar:** Okay. So Q2 we will get higher realization, can we assume that?

**Pawan Jain:** Yes, that is right. Q2, the Yarn realizations will be higher as compared to the previous quarter and at the same time the prices for Yarn which we procure from outside for our Home Textile segment, that also will be a little higher.

**Sumant Kumar:** Okay. So assuming higher realization of Yarn and you have an inventory of Cotton so, can we assume higher margin in Yarn segment in Q2?

**Pawan Jain:** Yes, obviously, in Q2 the Yarn margins will be higher and if the Yarn prices are higher for Home Textile products than, on an overall basis it will get neutralized.

**Sumant Kumar:** So it is not a gain for the company when Yarn prices are high?

**Pawan Jain:** Marginally gain.

**Sumant Kumar:** Marginally positive?

**Pawan Jain:** Yes, marginally higher in Q2.

**Sumant Kumar:** Okay, marginally higher in Q2 because we outsource from the outside also for Home Textiles?

**Pawan Jain:** Yes, that is right.

**Sumant Kumar:** So we can assume marginally positive for the company when Yarn prices go up.

**Pawan Jain:** Yes, that is right.

**Sumant Kumar:** Talking about Home Textiles, we have seen a growth of 40%?

**Pawan Jain:** Yes.

**Sumant Kumar:** So in 40%, what is the volume and realization break up, can you give that?
**Pawan Jain:** We are not sharing for Terry Towels and Bed Linen separately, but obviously majority will be from Terry Towels.

**Sumant Kumar:** Okay. So the 40% growth is realization or volume growth?

**Pawan Jain:** It is a volume growth.

**Sumant Kumar:** Volume, so it is a 40% growth in Home Textiles i.e. Terry Towels and Bed Sheets. So Bed Sheets, are we giving sales break-up?

**Pawan Jain:** No, we are not sharing separately for Terry Towel and Bed Linen so, when we say that in Bed Linen because there is spinning part, also there is weaving and then processing. So we are giving the utilization level at a 10% in a processing stage. So for spinning it is already 90% plus for weaving, we are already at 40% so, at a processing level it is 10% in this quarter.

**Sumant Kumar:** So, that Yarn we are selling in the market?

**Pawan Jain:** Yes, that is right.

**Sumant Kumar:** And whatever weaving you are talking about of 40%

**Pawan Jain:** Weaving also wherever we have some grey orders, we will sell it to outside.

**Sumant Kumar:** So you are talking about 90% capacity utilization in Yarn so, you are selling that to the market. Then you are talking about the weaving, you have how much capacity utilization there?

**Pawan Jain:** 40%.

**Sumant Kumar:** 40% so, you are selling that 30% extra also in the market?

**Pawan Jain:** Yes, that is right.

**Sumant Kumar:** Then we are doing only 10% capacity utilization in processing unit. So my question is what is the order book for Bed Sheets so, we are going to increase the capacity utilization to 40% kind of levels.

**Pawan Jain:** I would not be able to share the order book numbers with you but definitely we are on track to achieve 40% by the Q4 FY17.

**Sumant Kumar:** Okay, Q4 FY2017?

**Pawan Jain:** Yes, Q4 FY2017
Sumant Kumar: Okay. And you are saying that Yarn at 23% growth so, this is because of Bed Linen that Yarn is included here?

Pawan Jain: Yes, that is right.

Sumant Kumar: So that is why there is higher growth in Yarn segment.

Pawan Jain: Yes, that is right.

Sumant Kumar: So, going forward if we have a higher utilization of processing of Bed Linen, then the Yarn growth will be muted?

Pawan Jain: Then there will be de-growth in yarn.

Sumant Kumar: Yes, so the Yarn will be muted?

Pawan Jain: Yes.

Sumant Kumar: Right. So that revenue will be transferred to Home Textiles i.e. Bed Linen?

Pawan Jain: Yes.

Sumant Kumar: Okay. And what is the tax guidance you are giving?

Pawan Jain: You can consider 23% to 25%.

Sumant Kumar: 23% to 25%. And growth guidance?

Pawan Jain: As a whole, we are giving a guidance of 15% to 20% increase for next two to three years every year.

Moderator: Thank you. The next question is from the line of Dhiral Shah from GEPL Capital. Please go ahead.

Dhiral Shah: When we see your Q1 results, you have achieved a growth of 31% in revenues, but for the full year you are giving a guidance of 15% to 20%, why is it so?

Pawan Jain: The base for last year was high, barring Q1 FY16, so that give us 31% growth. One is the base and second is going forward when the Bed Linen facility will contributing materially, there will be a de-growth in Yarn, because yarn would be used captively for bed linen. So, that will be net off in the overall Yarn revenue.
**Dhiral Shah:** Okay. What is the current captive consumption of Yarn?

**Pawan Jain:** Current captive consumption of Yarn is around 30%.

**Dhiral Shah:** About 30% and what will be the same by the end of FY2017?

**Pawan Jain:** So, we cannot comment on what it would be at the end of FY2017, but it will be between 30% to 35% or so. As quickly we are able to improve our utilization in Bed Linen and Towel that will enhance our captive utilization.

**Dhiral Shah:** Okay. After BREXIT do you expect talks regarding FTA with European Union to get delayed?

**Pawan Jain:** Yes, it will obviously be delayed because now the Government has to take it afresh. So the earlier trajectory would not be maintained. Now, I think they need to initiate it afresh.

**Dhiral Shah:** So does it impact our European business?

**Pawan Jain:** No, we are already having 15%-20% European business exposure which we are doing it for long when FTA was not even available so, that will continue. So, only the incremental business which we expect if FTA comes in, will get delayed.

**Dhiral Shah:** Okay. How much debt you will be repaying in FY2017?

**Pawan Jain:** In FY2017, the scheduled repayment is Rs. 332 crore, but we will end up repaying around Rs. 100 crore more.

**Moderator:** Thank you. The next question is from the line of Ritesh Badjatya from Asian Markets. Please go ahead.

**Ritesh Badjatya:** If you could help me with the realization of Terry Towels and the Bed Linen segment?

**Pawan Jain:** We are not sharing realization separately for Bed Linen and Terry Towels, but overall Home Textiles realization has gone down by around 6%.

**Ritesh Badjatya:** For Bed Linen segment, you are expecting 40% utilization by the end of year?

**Pawan Jain:** Yes.

**Ritesh Badjatya:** And for Terry Towels how much by the end of the year?

**Pawan Jain:** It is 65% right now in Q1, so it will gradually improve to say about 70% by the year end.
Ritesh Badjatya: So, to achieve this 40% and 70% utilization, you will have a fair idea about what pricing you have to give to your clients, by what time will you get that idea? I just want to understand this because of the price decline in the Cotton going ahead from the October when the new season will start coming in.

Pawan Jain: It is not a rate cut or a discount which we are offering to the customers, the realization drop is more of a structural change in the cost prices of Yarn and Cotton.

Ritesh Badjatya: Okay. And on the global Cotton market can you share your thoughts, so suppose if like this year we have witnessed 12% decline in Cotton acreages and going ahead also if the same situation continues, then are you open for the imports and our policy is allowed for import of Cotton?

Pawan Jain: Yes, that is there the only thing is that India until now will be equivalent to producer of Cotton as compared to China so, going forward although the acreage is down, still we will have sufficient Cotton to consume within the country. So going forward, we do not foresee any significant kind of a increase in Cotton prices but since the next season is due to start in October, so depending upon the arrival in the market the Cotton prices will be softened.

Moderator: Thank you. The next question is from the line of Rajat Jain from Avance Enterprises. Please go ahead.

Rajat Jain: My question is regarding the Terry Towel plant, in one of your press releases you had said that the Budhni plant would add about Rs. 1,800 crore to your annual revenues and would comprise about 300 looms. So, I am just wondering why is the capacity utilization low in the Terry Towel plant?

Pawan Jain: Right now, the capacity utilization is 65% so, if you see the overall basis optimally it can achieve about 85% kind of utilization at an optimum level.

Rajat Jain: So by when is that possible?

Pawan Jain: By FY2018, we believe that it will be optimally utilized.

Rajat Jain: So 85% is the optimal capacity you are saying?

Pawan Jain: Yes, that is right.

Rajat Jain: And this optimal capacity would add about Rs. 1,800 crore to your annual revenues, as per one of your press releases?

Pawan Jain: So, out of Rs. 1,800 crore, close to Rs. 1,000 crore has already been absorbed in the last two years, but you are not able to see that in revenues because the captive consumption has also been
enhanced so, whatever incremental revenue we get into Towel that has been offset by the de-growth in Yarn.

**Rajat Jain:** So 85% will be the optimal capacity utilisation by FY2018 you are saying?

**Pawan Jain:** Yes, that is right.

**Moderator:** Thank you. The next question is from the line of Nihal Jham from Edelweiss. Please go ahead.

**Nihal Jham:** You mentioned the Terry Towel utilization was 65% in Q1 FY2017, right?

**Pawan Jain:** Yes, that is right.

**Nihal Jham:** And what is the number for the last quarter?

**Pawan Jain:** It was around 60%.

**Nihal Jham:** And just one point which I wanted to confirm on Cotton prices, you definitely mentioned that in the new contracts we will be able to price our Cotton as per the latest prices. But in case of our existing contacts, I am guessing that we get an annual revision so, when would that ideally happen and when do you think we will be able to pass on all the prices there?

**Pawan Jain:** It is on program basis, so usually the orders are between you know five months to six months and then ranging up to one year.

**Nihal Jham:** Sure. Then you expect that we would be able to pass on the price whenever the next revision happens?

**Pawan Jain:** It is on a rotation basis, you cannot fix a date for all the contracts so, it is on a rotational basis, so whenever such rotation happens you will be able to pass on the prices to your customers.

**Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

**Saket Kapoor:** What is your Cotton sourcing policy, how do we source Cotton and what is your inventory management? Where are we sourcing it mainly from Gujarat?

**Pawan Jain:** We are procuring cotton from Punjab, Haryana, Gujarat, Maharashtra and Madhya Pradesh and our policy is to procure Cotton and at the end of the year, we should have around six months of Cotton in stock in March every year.

**Saket Kapoor:** We are having which facilities at Madhya Pradesh, Mehatwara region?
**Pawan Jain:** We have our facilities in Budhni which is near Hoshangabad in Madhya Pradesh.

**Saket Kapoor:** Okay. Not at Mehatwara?

**Pawan Jain:** No.

**Saket Kapoor:** Okay. One of our peers has also come up with good capacities in fact huge capacities at Mehatwara that has remained stranded for some funding issues, so are we looking for any organic or inorganic type of growth?

**Pawan Jain:** As of now, we are not looking out at any inorganic growth in this sector.

**Saket Kapoor:** Have you done any study, I am talking about SEL Manufacturing.

**Pawan Jain:** No, we have not done any study.

**Saket Kapoor:** Because they are in your neighborhood only.

**Pawan Jain:** Yes.

**Saket Kapoor:** So no take on these facilities?

**Pawan Jain:** No, we restraint our comment on that.

**Moderator:** Thank you. Ladies and gentlemen, that was our last question. I would now like to hand the floor over to the management for closing comments.

**Management:** Thank you everyone for joining us on the call. Hope we were able to answer all your questions. Should you need any further clarifications or would like to know more about the company, please feel free to contact us or CDR India. Thank you.

**Moderator:** Thank you. On behalf of Trident Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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