TRIDENT GROUP

Trident Limited

Q1 FY14 – Earnings conference call Transcript
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Moderator: Ladies and gentlemen good day and welcome to the Trident Limited Earnings Conference Call. As a reminder, for the duration of this conference, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. Ishan Selarka. Thank you and over to you Sir.

Ishan Selarka: Good everyone and thank you for joining us on Trident Limited Q1 FY14 results conference call. We have with us from the Company, Mr. Arun Goyal - Chief Financial Officer, Mr. Samir Joshipura - Chief Strategy Officer, and Mr. Pawan Jain - Company Secretary.

We will begin the call with opening remarks from the management following which we will have the forum open for an interactive question and answer session. Before we begin, I would like to add that some of the statements made in today's discussion may be forward looking in nature and a note to this effect has been included in the conference call invite e-mailed to you earlier. I would now like to invite Mr. Pawan Jain to make his opening remarks.

Pawan Jain: Good afternoon everybody and welcome to Trident Limited Q1 FY14 earnings conference call. It is our intention to conduct such forums regularly with a view to encourage transparency and openness, and create strong communication channel with the investment community. I shall take you through the Company's business profile, following which Samir will update you on the business verticals that we operate in; post which Arun will take you through the operational and financial highlights for the quarter ended June 30, 2013.

Let me begin by giving you a background about the Company.

Trident Limited is the flagship Company of Trident Group with presence in Terry Towel, a part of Home Textile division, Paper, Yarn, Chemicals, and captive Power. Our manufacturing facilities are at three locations. Out of these, two facilities are in Barnala, Punjab and one is in Budni, Madhya Pradesh. The Barnala facilities comprise of three Home Textile units, five Yarn units, two Paper units, three captive Power units, and one Chemical unit. Our Budni facility, on the other hand, comprises of three Yarn units. These are state-of-art facilities and have the capability to produce about 90,000 TPA of Yarn from about 3.66 lac spindles & 3,584 rotors and 6,825 TPA of processed yarn; 43,200 TPA of towels from 388 looms and 1.75 lac TPA of wheat straw based paper. Additionally, we have a capacity of 1 lac TPA of Sulphuric Acid and 50 MW power plant which is used captively. The Company has customer base in 70 countries across the globe.

Now, I request Samir to give you an update on each of the segment that we operate in.

Samir Joshipura: Thank you Pawan. I will now update you on the business segments and expansion programs undertaken by the Company.

To begin with the Yarn division, Trident is one of the largest Yarn spinners in India with 3.66 lac spindles and 3,584 rotors. With booming organized retail and new export-oriented capacities being added in the weaving sector, we expect the demand for cotton yarns to be robust. Further adding to the demand is the increase in export of cotton yarn to China due to increasing demand-supply gap on account of shift of domestic cotton spinning capacities to synthetics due to skewed pricing policies of the Chinese government. Keeping this in mind, the Board of Directors approved an investment of Rs. 1,667 crore in textile expansion and diversification projects to drive sustained growth in the future. The Company has tied up with banks for debt funding amounting to Rs. 1,250 crore. The equity portion shall be funded through preferential issue of Warrants to Promoters/Non-Promoters and/or internal accruals. The expansion entails installation of 1.76 lac spindles and other balancing equipments to manufacture around 38,800 TPA of additional cotton Yarn of higher count and value-added varieties. The implementation would be in a phased manner and will be fully operational by September 2015. We do not expect the capital outlay to be significant given incentive schemes by the Central and State governments. Our focus in the segment is to diversify and maximize our value-added product basket, which contributes to 45% of our Yarn revenues, to ensure sustainability. Towards this, we have launched market leadership and branding program by increasing focus on end buyers in the value chain.

In the Terry Towel segment, Trident is among the top five manufacturers in the world with 388 looms and production capacity of 43,200 MT's of towels per year. This division is export centric with almost 85% of its revenues coming from exports. We have invested in design and innovation which is enabling us to offer superior quality products at competitive rates globally. The demand outlook is buoyant given improving consumption trends in US, anticipation of signing FDA with European Union, Japan, and South Africa, growing demand in markets like Latin America and Africa and FDI in domestic retail. Further with higher cost of Chinese manufacturers along with geopolitical uncertainties in Pakistan and labor unrest in Bangladesh, India is seen as an attractive source to shift production base given its large cotton base, integrated operations, and design skills. We in this division are making efforts to expand share of the value-added segments which currently contribute to 27% to the towel revenues. Further, focus is on quality and on aggressive branding strategy to percolate home textile product in premium customer segment. We are also laying emphasis on spreading customers geographically, which in our belief will enable us partly hedge the challenges faced in European Union. These are besides our emphasis on cost efficiencies, operational excellence, and other ongoing initiatives in this division.

In our Paper segment, Trident is the world's largest manufacturer of wheat straw-based paper. As you would be aware that wheat straw is abundantly available given that India is the second largest producer of wheat in the world. Punjab, where our paper facility is located, is one of the leading wheat producing regions. Additionally, the paper manufactured using agro-residues like wheat straw is more environment friendly, thus acceptable to international audiences. We have invested in technologies to match the quality of Paper that is produced from wood pulp which is the conventional source of Paper fiber. With our steady focus on manufacturing high-value products, we increased our capacities for the copier paper segment by 50% to 6,000 MT per month in FY13. The copier segment currently contributes to 40% of the total Paper and Chemical revenues and we expect that to increase further. Besides, we are increasing the width and depth of the distribution network for the copier Paper across both, domestic as well as exports market. In domestic market, we are targeting central India and for exports, focus is on percolation of our brands and increasing letter size copier in the American market. We currently export Paper to 35 countries including US, Canada, and Europe which are the high quality-conscious and competitive markets. We are also working in close partnership with vendors and suppliers to target quality from the source of original raw material, the cost and benefits of which are shared with the vendors and suppliers. We are also focusing on branding in the Indian markets; and you might have seen some of it published in the newsprint. The plan has been set for the next eight months with a view to improve the brand capital of our copier segment in the country.

Further, we also have an annual capacity to manufacture 1 lac tonnes of Sulphuric Acid and 33 TPD of high-quality LR/AR/BG grade Sulphuric Acid. This division manufactures Sulphuric Acid of battery and other industrial grades catering to the requirement of major battery, zinc sulfate, alum, detergent, dyes and fertilizer Industries. We also have a 50 MW multifeed power generation capacity that is used to meet the in-house requirement of production of Yarn, Terry Towel, Paper, and Chemicals leading to uninterrupted power supply at comparatively lower cost. We have coal linkages in place for producing 40 MW of power, while the balance is produced utilizing agro-residue, which is rice husk in our case. Currently this plant meets 75% of the total requirements of the Company.

I would now like to hand over to Arun to take you through the financial and operational highlights of Q1 FY14.

Arun Goyal: Thank you Samir. I will now summarize the Financial and Operational highlights for Q1 FY14.

The total revenues for the quarter were higher by 8% at Rs.873 crore vis-à-vis Rs.807 crore in corresponding quarter of last year. Growth in revenue was driven by higher capacity utilization and increased off-take of Yarn and Paper products. Further augmenting topline growth was improved contribution from value-added product, which gives us better realizations. EBITDA increased by 46% to Rs. 194 crore, translating to an EBITDA margin of 22.3%, which is against 16.5%. Expansion in margins is the result of several cost optimization initiatives taken by the Company in the last few quarters along the improved contribution from the value-added products. Let me give you a flavor of the progress we have made in value-added products. Around 5 years ago, we used to make normal cotton yarn and today ~40 to 45% of our turnover is from value-added yarn.

The Company is repaying approximately Rs. 75 crore during each quarter which has resulted in 12% reduction in financial cost vis-à-vis corresponding quarter. Profit after tax grew to Rs. 44 crore from Rs.1 crore in the corresponding period of the last year, translating to non-annualized diluted EPS of Rs. 1.42 per share. Cash profit stood at Rs. 112 crore compared to Rs. 65 crore in Q1 FY13.

Let me now take you through our business wise performance.

Revenues from the Yarn business were higher by 18% at Rs. 455 crore. Growth was primarily driven by higher realizations consequent to improved contribution from value-added products. Average realization for the quarter stood at approximately Rs. 220 per kg from Rs. 192 per kg in Q1 FY13. PBIT for the quarter increased from Rs. 24 crore to Rs.

76 crore. The various cost optimization measures along with better realization resultant to enhanced product mix enabled margins to improve from 6.2% in Q1 FY13 to 16.8% in this quarter. With focus on expanding our presence and enhancing the product mix towards value-added products, we successfully entered new markets such as Turkey, Malaysia, Morocco, Thailand, and Denmark, which we were not covering in the last 10 to 12 years. This is besides significantly ramping up volumes in niche markets such as Mauritius and Middle East. We also commenced business with niche segments and introduced value-added products in China and Hong Kong markets.

Revenues and PBIT from Terry Towel business in Q1 FY14 stood at Rs. 316 crore and Rs. 27 crore respectively as compared to Rs. 317 crore and Rs. 30 crore in Q1 FY13. While lower sales volume moderated the topline performance, it is partially mitigated by improved realization on account of higher sales of value-added products. Besides, profitability was flat despite lower topline due to various cost rationalization initiatives combined with change in product mix towards value-added products. We, in this segment, are capitalizing on large capacities with operating efficiencies to reduce cost and hedge against volatility in raw material prices i.e. cotton and cotton yarn.

Paper and Chemical segment revenues were higher at Rs. 186 crore from Rs. 176 crore in Q1 FY13. Higher realizations given improved product mix towards the copier segment enabled topline growth despite a marginal decline in sales volume. As we have communicated, we have launched Trident Royal Touch copier Paper as well as undertook some branding initiatives during the quarter which is receiving encouraging response. PBIT increased from Rs. 28 crore to Rs. 34 crore and margins improved from 15.8% in Q1 FY13 to 18.5% in this quarter given stable cost and improved realization as a result of an enhanced product mix. With our focus on the copier segment, we expect the realizations to be stable and better market share in copier segment.

That concludes my operational and financial review and we would be glad if you have any questions or queries you may have.

Moderator: Thank you very much Sir. Participants we will now begin the question and answer session. We have a question from Avi Mehta from IIFL. Please go ahead.

Avi Mehta: Could you please explain the reasons for decline in Yarn production and sales volumes on a Q-o-Q basis.

Arun Goyal: We clubbed the orders from Chinese government companies as well as some Bangladeshi exporters. So, that resulted in delayed dispatches which we expect to realize in the current quarter.

Avi Mehta: But production of Yarn is lower from by approx. 3% from Q4 FY13 levels and sales are down by around 10%. So, is that primarily because of bunching up of orders?

Arun Goyal: Yes. There was no performance failure during the last quarter and the plants are operating at normal utilization levels. The lower sales were primarily due to clubbing of orders which have been dispatched in this month.

Avi Mehta: The revenues too are flattish. I believe that in this quarter there would be some benefit that you would have got because of the depreciation in INR. Could you give us a sense on how much has been the impact this quarter and how does it look going forward?

Arun Goyal: All I can say at this point is that in Yarn, there are no major variations because of the dollar-rupee. We neither sell nor hedge dollar without any order in Yarn. So whatever order comes in routine, that is being sold and there will be 2 to 3% higher NSR because of this. This is not unique to us and is being done by almost all exporters. When the rupee weakens against dollar, export becomes much more lucrative. So if export becomes lucrative then prices in domestic market also improve and that is the reason why we were able to achieve gross margins of 16.8%. We expect the margins to improve from here in the next quarter due to the same reason.

Avi Mehta: So for export order of Yarn, your realizations are dollar linked. Is that understanding correct?

Arun Goyal: Yes.

Avi Mehta: So if the rupee depreciates and because your cotton cost is all rupee since you source cotton from the domestic market, then logically the appreciation in dollar should completely flow which is what I thought would be the key reason for margin expansion going forward as well.

Arun Goyal: You are correct in your analysis. But let me tell you how we and other major companies are doing it practically. For example, 20 count in Indian market is say Rs.220 per kg and say dollar is at Rs.60. If the dollar goes to Rs.62, export will become better by say Rs.7- 8 per kg. The Indian currency is known to everybody including the Chinese. So, they will also give you Rs.2-4 higher for the current order and consequently the Indian market will also react in the same way.

Avi Mehta: So they will retain some of the benefit?

Arun Goyal: Yes, but indirectly it helps us a lot. The demand for Yarn has gone up substantially due to heavy buying by Chinese manufacturers and that is why the margins are increasing and not because of the dollar movement.

Samir Joshipura: In a nutshell, the advantage comes in not so much from the dollar appreciation but we becoming more competitive vis-à-vis rest of the international players because in dollar terms our Yarn would be cheaper. So, probably we have more options in terms of choosing an order. So, that is where the benefit comes from.

Avi Mehta: You mentioned in your opening remarks that we anticipate an increase in cotton Yarn due to increased demand-supply gap because of shifting domestic spinning capacities to synthetics. Could you please explain that?

Samir Joshipura: For that, we need to understand a bit about how the Chinese industry works and how the Chinese government is influencing this sector. Let me start by saying that China is increasingly becoming a major customer for Indian cotton Yarn and this is predominantly because of the Chinese government policies. Currently, the Chinese government cotton stocks have topped at something like 9 million tonnes, which is more than the nation's annual cotton sales. So the government has stocked more cotton than what they have been selling and the price disruption resulting from the policy has harmed the import quota system and led to the contraction of the futures market. The artificially high price coupled with the revaluation of their currency and rising labor cost has considerably dampened the international competitiveness of China's cotton textile industry. So their Yarn manufacturing industry has taken a severe hit and this has forced the textile firms to abandon orders and look at alternative sourcing bases like India, Vietnam, and Bangladesh. In addition, Chinese manufacturers usually provide to the high end customers in developed countries like US, Europe etc. Hence, they need reliable and high quality supplier for cotton yarn and India falls exactly in that category. There are other alternatives, but in my belief, they would not be able to fulfill China's demand. China's Yarn requirement is fairly high and hence from that point of view, India has become a very good option for them to source cotton Yarn to produce, consume and export.

Avi Mehta: How much does China contribute to the total production?

Arun Goyal: 11%.

Avi Mehta: Despite it being no longer competitive; in my understanding 11% of the supply would be at a higher cost then?

Arun Goyal: Three years back, China used to import cotton from countries like India, Pakistan. Now for the last two to three years China is importing cotton Yarn. The basic reasons being China cotton is expensive and their labor and power costs has gone up. Hence they are importing readymade Yarn from India.

Avi Mehta: So the cost curve for them has basically gone?

Arun Goyal: Yes, it means they have moved on to finer counts and fabrics and garments etc.

Avi Mehta: So if 10% of the supply has basically moved out, I am just trying to see, will the next quarter result in a higher EBIT margin because of the fact that rupee has depreciated?

Arun Goyal: Yes, as of now demand is good and prices are increasing.

Avi Mehta: We have been reading reports that the power situation in south India is actually improving. So, are you seeing any change in the ground level competitive environment in India because I believe that south Indian markets had grim power situation which were helping us because we are primarily based in north and central Indian markets?

Arun Goyal: May be marginally. The performance of the Indian spinning industries has increased because there is a rise in demand from Europe as well as US. Additionally, as we discussed, even China is buying cotton Yarn heavily. Hence, textile companies are performing well currently.

Avi Mehta: What is your outlook for cotton going forward and how do you see that in the Indian environment?

Arun Goyal: Based on the statistics that are available for the season i.e. from October to March, cotton prices were trading between Rs.93 to Rs.102-103. However, as on date cotton is at Rs.135 per kg. Going forward, I do not see much respite in cotton prices as cotton prices in India for October-November are being quoted at Rs.120-122 a kg. However, our experience says that between December to February there is heavy inflow of cotton which would then lead to cotton prices contracting to between Rs.115 to Rs. 120 per kg in those months. The reason for price increase in India in the previous season was that Gujarat had a major loss because of rain. Until now overall situation is okay and no such major losses are reported. Hence, we feel that cotton prices shall remain between Rs. 115-125 per kg; but you know that it is a commodity and no one can confidently say what will be the actual price be going forward.

Avi Mehta: From what you are saying, the demand-supply looks pretty stable and there is neither any tightness per se from current levels nor there is any improvement?

Arun Goyal: It is good currently. We are not anticipating anything as of now, but one never knows what will happen in January or February.

Avi Mehta: Secondly, our terry based products are largely export oriented and the margins have almost doubled. So, how does the chain work in terms of INR depreciation? Is apparel actually seeing a better benefit or is it Yarn that you are seeing benefits in because of the Chinese Government policy?

Arun Goyal: If Yarn prices go up across China or other Asian countries, then Terry Towel also gets benefited because of the higher Yarn prices. Say if China is putting competitive rates for towel, the Indian Company will definitely get the benefit because Chinese manufacturers are buying Yarn from India which accounts for 45% of the towel manufacturing cost. In addition to Yarn imports Chinese manufacturers pay sea freight and custom duties which mean that the total cost of Yarn for them would be much higher than that of India. Hence, they cannot quote towels at a very competitive rate as compared to India.

Avi Mehta: Basically the benefit is percolating both, in the Yarn as well as the Terry Towel segment.

Arun Goyal: Yes. But in towel there are additional benefits. First of all, the government has increased export incentive from 2% to 4%, which is called FPS (Focused Product Scheme) and recently the interest rate has also been lowered by 1% which means interest subvention has been increased from 2% to 3%.

Avi Mehta: The interest subvention in MP, from what I have read, is from retrospective effect. Are we likely to benefit for our existing project or it is only for the new CAPEX that we are planning?

Arun Goyal: The new project will certainly come under that. Besides, one of our projects, wherein we have implemented ~75,000 spindles of yarns will get covered under that. However, we have not accounted for that profit into our quarterly results; but, we are surely eligible for that.

Avi Mehta: How much would that benefit be?

Arun Goyal: It is approx. Rs. 12 crore per year for the old project.

Avi Mehta: So if I were to account for that, it would mean about a 5% increase to current PBIT of Rs. 67 crore?

Arun Goyal: The primary reason for us not accounting it that the MP government has just announced it and we feel it will take at least six to nine months for it to go through. As per our calculation it comes to Rs. 12 crore. So, unless and until figures are frozen and we receive the refund, we will not account for it. It will be done only on a receivable basis.

Avi Mehta: How do you look at the business from a two year perspectives and how do you see the share of revenues and EBIT change over the three product segments?

Arun Goyal: In the next two years, we are adding approximately 1.75 lac spindles in Budni for value-added Yarn and 500 looms for sheeting. We understand that 500 looms is not a very major capacity for sheeting. The reason for going for 500 looms against 1,500 or 2,000 looms is because this is a new product and we feel it takes about six to nine months to stabilize; again because it will be an export oriented unit which will largely cater to Europe and US. Coming back to your question, because of this expansion, our revenue proportion from the textile business will grow and consequently Paper business revenue will reduce by 10% in overall scenario.

Avi Mehta: So the focus is clearly on the Yarn and fabric segments?

Arun Goyal: Value-added Yarn and the fabric is the focus. We have seen in the past that in normal yarn, the yarn fluctuation hampers us because that is a very price sensitive market. Hence, we are focusing on value-added Yarn so that there are no major variations like dollar-rupee.

Avi Mehta: Could you share the debt levels?

Arun Goyal: Long-term debt is Rs. 1,200 crore. In terms of repayment, our repayment for the current year is Rs. 342 crore. So it is about Rs. 75-80 crore a quarter. Next year, repayments will be less than Rs. 300 crore. After that our debt will be in a comfortable level at approx. Rs.600 crore. This is besides the new loan. This is the reason why we have gone for an expansion because after two years, our debt would be at Rs. 600 crore plus Rs. 1,250 crore i.e. Rs. 1,850 crore whereas the revenue will be three or four times of that.

Avi Mehta: What is the cost of the new debt of Rs. 1,250?

Arun Goyal: It is virtually free of cost. We are getting these loans at a rate of interest of 11.5%. Of this, 5% is the TUF subsidy; but you take it at 4% as TUF subsidy is only for 75% of the debt. Further, there is another 7% from MP government. Due to these reasons we have planned our expansion, else we could have waited for one year.

Avi Mehta: This 7% is for what period?

Arun Goyal: 7% is for five years and TUF is for seven years.

Avi Mehta: TUF is not for the entire life?

Arun Goyal: No. Latest TUF is two plus five, two year for construction and five year for repayment as per the TUF ministry of textiles. So, even if you have taken a loan for a ten-year period, the government will give you that subsidy only for seven years. Earlier was longer, two plus seven and was for 100% of assets.

Moderator: Thank you. The next question is from Resham Jain from B&K Securities. Please go ahead.

Resham Jain: The margins in the Yarn division have improved from 10% to 16.5%.We understand that a couple of factors have helped in the last six months i.e. cotton prices have continuously increased and most of the companies that were holding inventories till September, October and are gaining because of the demand-supply mismatch. Do you believe these margins are sustainable for a longer term?

Arun Goyal: In basic Yarn, one can make EBIT margins of about 14 to 15%. However, if one is in high value-added Yarn, then the margins are between 18 to 20%. At Trident, we are actually in between these. The Company over the last five to six years has increased its share from the value-added yarn form 5% to 45%. I believe these are minimum margins one should make to sustain in this business as 5 to 7% is your interest cost and about 7% is your repayment. Going forward, if the calculation goes correct, one can earn up to 20%;

but conservatively, we see it between 15 to 17%.

Resham Jain: What is the quantum of gain that we have earned because of holding inventories?

Arun Goyal: As I mentioned earlier, the cotton prices ranged between Rs. 93 to Rs. 105 per kg during the season. Now the now cotton has increased in the last one month to about Rs.135 per kg, up ~25%. Now to clarify, we are not holding cotton for increase in the realizations; but it is primarily to get the best quality as we cater to the needs of the high-end market whilst also exporting Yarn. Post season, it is very difficult to get good quality cotton and that too in huge quantities that meet our requirements. Though one does get cotton, but it is of inferior quality. Hence, we have no choice but to stack up inventories. There is no doubt that cotton prices have gone up and so have Yarn prices; but going forward, I do not expect abnormal margins from the Yarn industry. I think it will hover between 15 to 18%.

Resham Jain: Is the decline in volume in the Yarn division due to change in product mix or has the capacity utilization been lower?

Arun Goyal: It has been primarily because of the product mix.

Resham Jain: So is there an increasing demand for higher count cotton?

Arun Goyal: The demand for value-added Yarn is higher.

Samir Joshipura: There are two things involved here. Usually, in this kind of market scenario, higher count cotton gives better margins. Having said that, our focus predominantly is on increasing the contribution from value-added products. So, while one would see the production number coming down, there would not be a significant impact on the revenues.

Resham Jain: What is the contribution from pure cotton i.e. 100% cotton yarn to the overall Yarn sales?

Arun Goyal: The contribution from Lycra, PVA and some fiber imported from Japan like Bamboos is very marginal. Around 90to 95% is the cotton. Having said this, other fibers are mixed with the cotton then sold out. But it is mainly cotton.

Resham Jain: Is there any seasonality involved in the Terry Towel business?

Arun Goyal: No.

Resham Jain: Could you explain the reasons for decline in Terry Towel sales in Q1 FY14 as compared to Q4 FY13?

Arun Goyal: We have received a very high value product's order from US. What happens practically, that once you get a new order for a different product, it takes about a one month or two to manufacture it correctly. The learning curve in towels is a little higher. So, that was the key reason for the decline. Else it was the golden period to earn money mainly due to dollar appreciation and some government incentive. We believe, we should be able to make up for it in the next two quarters.

Resham Jain: Just a question on the competitiveness of Chinese players vis-à-vis Indian manufacturers. While cotton and Yarn prices have gone up by 30% in the last 3-4 months in India, the Chinese players continue to procure it at MSP and hence the cotton prices for them have not gone up. So do you see that the gap has narrowed down between Yarn manufacturers in India and in China in the last 3-4 months?

Arun Goyal: As per the information that we receive on a daily basis, Chinese companies are buying Yarn at this level also. While China, as you know, is not as transparent like India, we do not foresee any major jerk from China for may be another one and a half to two years. But one can never be 100% sure about this.

Resham Jain: But theoretically the competitiveness between Indian and Chinese players might have come down because of the cotton prices?

Arun Goyal: Right.

Resham Jain: Do we have any tax advantage because of the new investment that we are doing in MP?

Arun Goyal: Yes. We will get three benefits overall. One is the TUF from the Central Government and there are two benefits from the State Government. One is the interest subsidy and second is the refund of the taxes paid on buying cotton as well as selling of Terry Towels. The tax incentive is for seven years whereas interest incentive is for five years.

Resham Jain: All the Yarn which you manufacture is sold to weavers across India. However, we are now seeing a lot of capacities in spinning coming up in Maharashtra and

Gujarat. So, do you see that as a threat may be two years down the line, because of demand-supply mismatch?

Arun Goyal: You are right. But if you see all the products that Trident manufactures, are growing at a reasonable rate in India and across the globe i.e. from 5 to 8%. Paper is growing at 6% to 7%; similarly Yarn is also growing. The plus point in India is that a lot of spindles are becoming obsolete and hence the government has come up with TUF subsidy schemes to replace those spindles.

Resham Jain: So it is basically replacement capacity?

Arun Goyal: Replacement as well as to meet the additional demand.

Moderator: Thank you. As there are no further questions I would now like to hand it back to the management for closing comments.

Pawan Jain: Thank you all for joining us on this call. Do feel free to contact us or our investor relations team for any information or queries that you may have.

Moderator: Thank you sir. On behalf of Trident Limited that concludes this conference.

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