Trident Limited

Q2 FY16 Earnings Conference Call
12.00 noon IST on Thursday, October 29, 2015

Moderator: Ladies and gentlemen, good day and welcome to the Trident Limited Q2 FY16 Earnings Conference Call. As a reminder all participants' lines will be in the listen-only mode. 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 telephone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Nishid Solanki of CDR India. Thank you and over to you.

Nishid Solanki: Thank you. Good afternoon and welcome to the Q2 & H1 FY16 Earnings Conference Call of Trident Limited. Today we are joined by senior members of the management team including Mr. Pawan Jain – President and Mr. Gunjan Shroff – Chief Financial Officer. We will commence the call with opening remarks from the management and follow that with an interactive question and answer session.

Before we begin, I would like to highlight that some of the statements made or discussed on the call today may be forward looking in nature and a note to that effect has been included in the earnings presentation sent to you earlier. The Company does not undertake to update them publicly.

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 afternoon everyone and thank you for joining us on the Q2 & H1 FY 2016 earnings conference call of Trident Limited.

I will share the corporate developments during the quarter followed by the operational performance of the company across business segments, while Mr. Gunjan Shroff will take us through the financial performance for the quarter and half year ended September 30th, 2015.

Firstly, I am delighted to share that Trident has commenced production at its integrated Bed-Linen facility of 500 looms capable of producing 43.2 million meters of bed-linen per annum and ~1.9 lakh yarn spindles for captive consumption located at Budni, Madhya Pradesh. This is an important breakthrough for us in the high-margin Bed-Linen segment which is expected to grow multi-fold in the forthcoming years. With this project the company has finished all major CAPEX plans. This world-class state-of-the-art facility can generate potential revenue of around Rs. 1,200 crore at optimum utilization with EBITDA margins of 25-27%. We expect technology stabilization by Q4 of FY16 and aim to achieve 50-60% utilization by the end of FY17.

I am also happy to share with all of you that Trident has received "Achievement in Environmental Sustainability Award" from SAM's Club, USA. This award has been conferred up on us in recognition of our initiatives on environmentally sustainable and socially responsible business practices adopted at our manufacturing facilities. We have also won 3 TEXPROCIL Awards for Export for the year 2014-2015 in recognition to 2nd highest exports in terry towel and our export performance in yarn and overall exports in textiles.

Coming to our Q2 FY16 results, performance was led by improved off take in terry towel segment which registered healthy volume growth on account of expanded capacities and ongoing marketing initiatives. However, our revenue growth was flat owing to subdued yarn realizations and higher captive consumption of yarn. Our high margin value-added products also contributed to overall performance. Traction in the domestic market stood buoyant on the back of strong emphasis on brand building and other branding initiatives undertaken by the company during the year.

Let me now give you segment-wise perspectives.

Our terry towel business reported healthy growth during the quarter, volumes improved by 22% compared to last quarter. Our efforts on expanding the customer base combined with emphasis on the domestic market and improved utilizations would continue to drive growth in terry towels. We witnessed strong growth of 46% in domestic towel sales in Q2 FY16 compared to Q1 FY16. Together with our brand building strategy, this growth was driven by increased traction in the e-commerce segment and Trident's pan-India market reach. We expect our newly commissioned bed-linen facility to positively contribute to our performance from Q1 FY17. As mentioned earlier, we are currently in the process of stabilizing the facility; however, we have already initiated the process of getting the certifications from foreign customers and building our order book in this segment.

Our paper segment reported stable trends with healthy margin improvement. This was on account of increased contribution from value-added copier paper. Contribution from value-added copier paper stood at around 50% in Q2 FY16 with focus on increasing the pull from end customers and increasing the brand presence. The company launched Trident Retailer-ship scheme during this quarter.

To conclude I would like to say that Trident has transformed itself from being a yarn manufacturer to become one of the largest state-of-the-art integrated home textile manufacturers in the world and with major contribution from terry towel to the top line. Our focus on improving the contribution of terry towel and bed-linen products to the overall textile revenue should enable us to deliver healthy earnings growth going forward. Given that we have all major expansion and CAPEX cycles behind us, we look forward to generate free cash flows in the coming year. I would also like to assure you that the management's entire bandwidth is towards improving the overall performance in the ensuing quarters.

The Board of Directors at its meeting held on October 27th, 2015 has declared a second interim dividend of Re. 0.30 per share i.e. 3% of face value of Rs. 10 each. With this, the dividend declared in the first two quarters of this year stands at Re. 0.60 per share translating into dividend pay-out ratio of 33%. This is in-line with our objective of rewarding shareholders whilst ensuring that sufficient funds are retained for growth of the company.

I would now like to hand over the call to Mr. Gunjan Shroff, CFO, who will share the financial performance for the quarter and half year ended 30th September, 2015. Thank you.

Gunjan Shroff: Thank you Pawan. A very good afternoon and a very warm welcome to everyone present on this call.

We will like to take you through the financial highlights of the Company for the quarter and half year ended September 30th, 2015.

During the Q2FY16, our net revenues stood at Rs. 961 crore compared to Rs. 966 crore reported in the corresponding quarter last year. EBITDA has increased by 15% to Rs. 179 crore while the EBITDA margins improved by 245 basis points at 18.6%. Profit After Tax stood at Rs. 51 crore higher by 143% vis-a-vis Rs. 21 crore achieved in the same period last year.

During H1FY16, net revenues stood at Rs. 1,840 crore compared to Rs. 1,872 crore in the same period last year. EBITDA improved by 11% to Rs. 377 crore while EBITDA margins enhanced by 231 basis points to 20.5%. Profit After Tax increased by 110% to Rs. 112 crore compared to Rs. 53 crore achieved in the corresponding quarter of last year.

Let us now give you a segment-wise performance of the company.

During the quarter, the revenue from textile segment stood at Rs. 756 crore against 757 crore reported in the corresponding quarter of last year. PBIT increased by 35% to Rs. 72 crore while the PBDIT margins improved by 240 basis points to 9.5%. Subdued yarn realizations and captive yarn consumption moderated the top line growth. This was, however mitigated by growth in terry towel segment which reported 22% volume growth compared to Q1 FY16.

Revenues in the paper segment stood at Rs. 205 crore compared to Rs. 209 crore in the same period last year. PBIT came in at Rs. 38 crore while PBIT margins improved by 50 basis points to 18.3%. Margins expanded on account on sustained improvement in the contribution of value added copier paper segment.

As on 30th September, 2015, our total debt stood at Rs. 2,976 crore resulting in Debt-Equity Ratio of 1.86:1. Debt level has been increased during the quarter due to implementation of the integrated bed-linen project at Budni, Madhya Pradesh. During H1FY16, the Company has repaid outstanding term loans of Rs.

201 crore including prepayment of high cost debt of Rs. 54 crore. As highlighted in the past, we would continue to repay high cost debt ahead of our scheduled repayments in FY16. Our finance cost during the quarter has declined by 18% to Rs. 37 crore on account of reduction in base rate and better working capital utilization.

With this I would like the moderator to open the forum for questions. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from the line of Chintan Seth of SKS Capital. Please go ahead.

Chintan Seth: Just a clarification on guidance, whether we maintain our earlier target of 20% growth and 18% margin over the next two years?

Pawan Jain: Yes, we still maintain that guidance.

Chintan Seth: You mentioned that 50-60% of the capacity utilization from the bed-linen will commence in FY17, so from there we can see an incremental revenue jump by around Rs. 700 crore in FY17?

Pawan Jain: Yes, that is right. The 50-60% of the utilization in bed-linen will come by the end of FY17. The incremental revenue from Terry towel and Bed-linen will be more than Rs. 700 crore in FY17.

Chintan Seth: For FY16, we don't see any revenue contribution from this facility or there will be some marginal incremental revenue coming from there?

Gunjan Shroff: In the second half, we have a target of incremental revenues to the extent of Rs. 200 crore from Bed-Linen. However, for guidance purpose, you may expect incremental revenues from Q1 of FY17.

Chintan Seth: Debt repayment for full year, any guidance on that?

Gunjan Shroff: We continue to remain ahead of our debt repayment schedule. Approximately we have Rs. 90 crore kind of a quarterly repayment. As such in the next half, we have half yearly repayment of Rs. 180 crore, however we will continue to keep ahead of the schedule of repayment by approximately 2 months. So we continue to keep ahead by Rs. 60-65 crore by pre-paying high cost loan and being ahead of two months on the repayment schedule.

Chintan Seth: This debt has peaked out post-integration, so we don't see any further jump on the debt side?

Pawan Jain: It would peak in March 2016 to around Rs. 3,300 crore.

Gunjan Shroff: That would be largely on account of improved working capital utilization. On the CAPEX side the debt has peaked out.

Chintan Seth: What is the utilization of the current plants?

Pawan Jain: Yarn is at a utilization of around 95% and terry towel blended utilisation is around 60%.

Chintan Seth: Paper is operating at full capacity?

Pawan Jain: It is around 90%.

Moderator: Our next question is from the line of Resham Jain of B&K Securities. Please go ahead.

Resham Jain: You mentioned that you have a quarterly repayment of around Rs. 90 crore and your cash PAT is close to Rs. 130 crore, so basically you have Rs. 40 crore of free cash flow without change in working capital. So just wanted to understand that given the current cotton scenario where the cotton prices are low but in case the cotton prices go up by say 10% or 15% which looks unlikely but let's say it goes up by 10% than the working capital requirement will increase substantially, so that is number one.

Number two, your working capital requirement as and when you will ramp up your bedsheet capacity that will also go up. So how much working capital requirement will be there per quarter for you? Because it looks like the dividend payment whatever is happening, then it may be happening out of debt. Can you clarify this?

Gunjan Shroff: We generally stock cotton for an average period of close to 3 to 4 months and this is a stocking policy that the company adopts. The cotton inventory typically peaks out during February to March of every financial year and this is the level where the maximum amount of working capital utilization has been taking place. So, we will continue to stock cotton as our requirement of stocking good quality cotton. The fact that we have our quarterly repayments of Rs. 90 crore we are also generating a very comfortable and sustainable cash PAT of around Rs. 130-140 crore on a quarterly basis. So that has been having an elbow space of around Rs. 40-50 crore after meeting all the financial commitments and the working capital requirement per se, we are not looking at building too much of stocking unlike in the past. We will continue to do what we have been doing. The margin requirement will cross more than Rs. 200 crore for the incremental working capital.

Resham Jain: Assuming the current cotton price, how much additional working capital will be required to ramp up your business?

Gunjan Shroff: Actually the bedsheet facility which we have installed, it requires a high-count yarn, so the total production of this new facility would be close to 40 tons per day because its average count is close to 60. So the total incremental working capital requirement on account of the new capacity of integrated bedsheet facility is approximately Rs. 250 crore.

Resham Jain: Secondly, just wanted to understand the debt profile, you mentioned Rs. 2,900 crore was the debt as on 30th September which includes short-term maturity as well?

Gunjan Shroff: Yes. That is right.

Resham Jain: What will be the kind of debt we will have by March because you'll have additional inventory required at that time?

Gunjan Shroff: We are expecting it to peak at Rs. 3,100 to Rs. 3,300 crore by March 31st, 2016.

Moderator: Our next question is from the line of Girisha Saraf of Ambit Capital. Please go ahead.

GirishaSaraf: All this while the bed-linen players across the country have been building-up huge capacities. What is the necessity of Trident to follow suit at this time especially when the Indian bedsheet share in the US has touched 50%? What is your proposition? Would you be giving the products at lower cost because when we talk about design everybody says that they have got good designs?

Pawan Jain: If you see the industry in bed-linen for the last 4-5 years, India's share has definitely increased from 27% in 2009 to 47% in 2014. Globally the bed-linen market is growing at a CAGR of around 5-6%. Indian exports to US and India's own consumption within the domestic market is also increasing at a CAGR of 9-10%. So we see a huge market in bed-linen also. And since we are already into terry towels for more than 16 years and we are dealing with same kind of customers, we will be able to sell another product in the same basket to the same set of customers.

Girisha Saraf: I understand your point, but my question here is why now when already India's market share has increased so much. I do not know how much more space we have in the US market to still increase our share. And moreover given the fact that you are more strong in terry towels and the terry towel market share of India in the US isn't that much. Would it not be better to increase your terry towel production?

Pawan Jain: We have expanded our terry towel capacity in the recent past. So in towels, we are already at a stage where we are able to serve these customers globally. So when we were not into sheeting, we were not able to sell the towels to those customers who need products in a themed based package which is combined of a bed and bath in one basket.

Secondly, this capacity which we are enhancing for bed-linen product, there we are already discussing with the customers which we are serving in towels for so many years, so as soon as our bed-linen will stabilize, we think that we will be able to sell this quantity of sheeting to our existing as well as new customers.

Girisha Saraf: Okay, so you still think that there is scope for India to export bed-linen to the US even after 50%?

Pawan Jain: Yes and this is structurally on account of two things, one India is in a better place as compared to China in terms of costing & cotton availability and second is the labor cost.

Girisha Saraf: So eventually wouldn't the US retailers put vendor caps given that India's share has increased so much and there are just a few key players in the industry, wouldn't they have vendor caps? And do you think you might have reached certain retailer vendor caps in the terry towel business and is the vendor cap product-wise or is it supplier-wise?

Pawan Jain: It is product-wise basically.

GirishaSaraf: So do you think you have reached your caps for terry towel?

Pawan Jain: We have not reached that cap but still we are expanding our business in terry towel with existing customers and also penetrating in new markets so as to expand widely. In sheeting, since we are not supplying any sheeting to these overseas customers, we are open to supply to any customer whether it is existing or new. So we are targeting those customers where we are already serving for last so many years to target for our bed-linen capacity.

Girisha Saraf: What is your proposition? What will you do different to somebody like Welspun India or Indo Count or Himatsingka does?

Pawan Jain: In terry towels, we have already reached at the maturity level to compete with neighboring countries and Indian competitors also, so it’s more of a value addition and innovation and design competency which will be able to make us sell our product.

In bedsheets, as a new entrant, we will definitely start at an entry-level but gradually when we achieve stabilization, we will compete on designing and innovative products. So what we are doing right now is enhancing our marketing capabilities and setting up of a design house in US. We have already hired our marketing team in US and we are also expanding to open new avenues for new markets and new customers.

Girisha Saraf: When we talk about the front-end capabilities till now I don't think you were very strong on the front-end. How do you think you would play the front-end game? Would you acquire brands or would you just be opening up an office in the US and having warehouse facilities?

Pawan Jain: We are strengthening our marketing team to be able to sell these products, so right now we are not focusing on acquisition of brands or anything, we will gradually move up to that level but as of now we are working more towards enhancing our marketing strength.

Girisha Saraf: When we talk about the kind of bed-linen products that you look to produce, would it be at the entry point or a premium product?

Pawan Jain: Initially, it will be at an entry point, gradually we will move up to value added products.

Moderator: Our next question is from the line of Vipul Sanghvi of Religare. Please go ahead.

Vipul Sanghvi: You mentioned that this is our peak debt, so just wanted to understand that at the current level of investment what is the peak turnover that we can achieve at a consolidated level and till what time we'll not be required to invest into fresh capacity in the textiles business?

Pawan Jain: Two years down the line, we are hopeful to achieve a turnover of Rs. 6,000 crore on the current capacities.

Vipul Sanghvi: This is paper plus textiles included, right?

Pawan Jain: Yes this is including Paper and Textiles. Reason is that we are enhancing our captive consumption in yarn. So when we move more towards captive yarn than the top line may be on the lower side. Earlier we had given a guidance of Rs. 6,500 but it will be around Rs. 6,000 in two years' time, so this is because of enhancing our captive consumption to enhance the margins.

Vipul Sanghvi: Then how much the working capital requirement will increase because of this turnover?

Pawan Jain: Working capital as a thumb rule is 25% of our revenues, so right now at around Rs. 4,000 crore kind of revenues it is around Rs. 1,000 crore, so gradually it will move to around Rs. 1,400 crore kind of a working capital in two years' time.

Vipul Sanghvi: Given that the overall cash flow situation will improve you will not be required to take fresh short term debt also? Is that a correct reading?

Pawan Jain: As of now our short-term requirements are intact and we are right now working on how to utilize our working capital facilities in a better way so as to reduce dependence on that.

Vipul Sanghvi: You mentioned that the interest cost has come down because the base rate is falling, so how much is the saving there so far that we have seen and on a full year basis what will be the saving?

Gunjan Shroff: The base rates in India have actually come down by approximately 40-50 basis points. We have also got an improvement in the rating and cumulatively we have got our interest cost reduced by close to 1.5%, so almost on a Rs. 2,500 crore kind of a debt we have been saving close to Rs. 6-6.5 crore on a quarterly basis.

Vipul Sanghvi: You mentioned improvement in rating, so what is the current rating?

Gunjan Shroff: Our current rating is A-.

Moderator: Our next question is from the line of Sumant Kumar of Elara Securities. Please go ahead.

Sumant Kumar: What is your outlook on the paper price because in Q1 and Q2 the paper prices were flat, so what kind of price increase we can expect in Q3 and Q4?

Pawan Jain: We are not expecting any increase in paper pricing going forward in next two quarters. It will be more or less flat.

Sumant Kumar: How is the cost scenario?

Pawan Jain: In this quarter, the cost of raw material has increased in paper and we expect this to remain the same in the next two quarters.

Sumant Kumar: So cost increase because of wheat straw?

Pawan Jain: Yes, high cost of wheat straw.

Moderator: Our next question is from the line of Ritesh Badjatia of SPA Securities. Please go ahead.

RiteshBadjatia: What was the average cost of cotton procured last year in Q2 FY15?

Pawan Jain: It was around Rs. 105 per kg.

Ritesh Badjatia: What is the current price?

Pawan Jain: Around Rs. 93 per kg to Rs. 97 per kg.

Ritesh Badjatia: Usually for how many quarters do we procure the inventory?

Pawan Jain: At the end of the season, it is around four months, so as of now because the season has just started so we are keeping this inventory for a month now and gradually depending upon the arrivals in cotton and depending upon the pricing we will keep adding more.

Moderator: Our next question is from the line of Arun Malhotra of ISM Capital. Please go ahead.

Arun Malhotra: What is the effective cost of our debt?

Gunjan Shroff: Effective cost of long term debt is around 6% and short term debt is around 9.5%.

Arun Malhotra: Secondly, in terms of the demand from the US market, I am sure we would have seen some pre-booking of orders because of the upcoming festival season. So, how is the demand looking like for the current quarter?

Pawan Jain: This current quarter is historically better than the first half due to the festive season and Christmas in US, so demand is good in this quarter and as far as our bed-linen is concerned, we are expecting revenues sometime towards the end of the last quarter and start of the first quarter of next year. We are not booking orders in this quarter for sheeting.

Moderator: We will take our next question from the line of Arjun Sehgal of Reliance Mutual Fund. Please go ahead.

Arjun Sehgal: I would like to understand the demand scenario in the yarn market right now?

Pawan Jain: As far as yarn export is concerned it is again flat and as far as domestic market is concerned it has contracted in this quarter as compared to Q1 FY16 and we expect that it will more or less remain at the same level. So we are not expecting any decline also and we are not expecting any major growth also in the realizations of yarn.

Arjun Sehgal: Since April 2015, by what percentage have the yarn prices fallen?

Pawan Jain: If we take quarter-to-quarter, the realizations in yarn have decreased by around 2% and if we compare this to the corresponding quarter last year than the yarn realization has decreased by around 13%.

Moderator: We will take our next question from the line of Dhwanil Shah of I Wealth Management. Please go ahead.

Dhwanil Shah: Have we started to capitalize the Budni's debt which we have taken?

Pawan Jain: We have started production in bed-linen but we need 3-4 months to stabilize the technology and to get it commercialized, so we are targeting to capitalize it in Q4 of this fiscal year.

Dhwanil Shah: What kind of interest cost are we expecting for this year, close Rs. 180-185 crore?

Pawan Jain: On an overall year basis?

Dhwanil Shah: Yes sir.

Pawan Jain: In the current half, it was around Rs. 75 crore, so it will be around Rs. 80-85 crore in the second half.

Dhwanil Shah: What kind of volumes are we looking for the full year in terry towels?

Pawan Jain: In terry towels, on an overall yearly basis we are targeting volume increase of close to 15-20% as compared to last year.

Dhwanil Shah: With reference to bed-linen, we have been saying that we will be able to start booking revenues from the first quarter of next year and we will be able to achieve 60% kind of utilization in the first year. So, how confident are we in this or do we think there could be some kind of delay?

Pawan Jain: We are confident to achieve this utilization given our experience and expertise in towels. In towels, we are already serving the customers and in the last one year or so we were able to achieve the utilization of around 45% in the new capacity. So we are hopeful that during the next 3-4 months we will be able to complete the certification process with the overseas buyers for bed-linen and towards the end of this year we will be able to start ramping up the order book. So that will help us to improve utilization in the first quarter itself in the next year.

So within one year, we will be able to reach 50-60% because this is a new product and we already have a customer base, we are already in discussion with those customers and we need to leverage this capacity as early as possible and as compared to terry towel capacity.

Dhwanil Shah: In terms of our expenses, we saw a bit of increase in our Other Expenses and even in our Employee Cost. So is this regarding the new plant that we have commissioned?

Pawan Jain: We have booked a one-time forex loss as on 30th September to the tune of about Rs. 10 crore on account of foreign currency fluctuation because at the end of the quarter, you need to book it at MTM level.

Dhwanil Shah: Okay so that has come in the expenses.

Pawan Jain: Yes. That has been charged in this quarter.

Moderator: Our next question is from the line of Rahul Khandelwal of Systematix Shares. Please go ahead.

Rahul Khandelwal: I require a couple of viewpoints. First of all on the TPP and then if you can throw some light on FTA with EU?

Pawan Jain: As far as TPP is concerned, out of the 11 countries, Vietnam is the country which can impact the overall textile business. Having said that, it will take around 2-3 years to get it materialized in terms of ratification by all these countries for the proposal and partnership. Secondly, Vietnam is more into garmenting, so as far as impact on home textiles is concerned it will be minimum. So we don't foresee any threat on account of this to our terry towel and bed-linen markets.

Rahul Khandelwal: In a long-term scenario, for instance 4-5 years down the line, how much it can impact our home textiles industry to US?

Pawan Jain: It depends on how quickly Vietnam can establish new capacities in this sector. So that will give us a better perspective.

Rahul Khandelwal: How does the pass on happen when it comes to the cotton prices with your clients like Walmart, JC Penney and others. So if cotton prices, for example, increase by 15-20% in a quarter so is it possible to pass on, if yes then how much?

Pawan Jain: Normally it is not passed on as we already have a fixed contract but as far as all new orders are concerned, you need to compete with the other countries and you also need to compete with the Indian suppliers. So definitely you will work on the current price scenario in terms of your raw material cost. As far as some abnormal variation is concerned in raw material prices or foreign currency then sometimes you have a reset clause in your contract with these customers where you can approach them and pass on half of the cost to these customers.

Rahul Khandelwal: With regards to the overall capacities, every player in India is expanding their capacity to US, so is there enough demand to capture all these expanded capacities, if yes then how we are in this metrics?

Pawan Jain: There is a market available so all these players who are able to expand their capacity are able to absorb this in the foreign markets. But the fact is how much value-added products or how much innovative products you are able to offer in the product basket and how you can give value for money to the customer, so that is important.

Rahul Khandelwal: Somehow innovation has its limits, we cannot innovate products over the years, so how can we differentiate.

PawanJain: Innovation is a long process, it cannot happen in a day or within a month, it is a continuous process which we are doing for the past 15 years. It is like you have some patented product or product which your competition was not be able to manufacture and if that product has certain market already established in the US or Europe, so you will be able to serve those customers at the realizations which is in your favour.

Rahul Khandelwal: Currently what is the duty to EU, Europe, and USA, if you can give us some idea?

Pawan Jain: In EU, the import duty is around 9% and that is where Indian suppliers are not able to compete with Pakistan and Bangladesh because they are having a free trade agreement with EU. But we are still competing within EU. We export close to 20-22% of our towel products to EU. So Indian government is pursuing the FTA with EU but somehow it is not able to materialize in the recent past, but it may materialize by the end of this financial year or early next financial year and if that happens than it will give a boost to exports to Europe.

Rahul Khandelwal: Duty to USA is around 6.5%?

Pawan Jain: It is roughly around that.

Rahul Khandelwal: Any idea about Canada, how much is the duty there?

Pawan Jain: I am not having that figure right now but US and Canada are on the same lines.

Moderator: Our next question is from the line of Abhilasha Satale of First Global Securities. Please go ahead.

Abhilasha Satale: What is the terry towel volume growth during the quarter vis-à-vis Q1 and how much we are targeting for FY16 and FY17.

Pawan Jain: In terms of volume growth, it is 22% higher than Q1 and on an overall yearly basis we are expecting 15-20% of volume increase over the last year.

AbhilashaSatale: In terms of tonnage if you could tell us?

Pawan Jain: We are not giving it in terms of the tonnage as of now.

Abhilasha Satale: For FY17, what kind of growth you are targeting in the terry towel segment?

Pawan Jain: Another 20% growth in FY17.

Abhilasha Satale: In bed-linen, you are likely to utilize around 50-60% of the capacity in the first year itself, then why are you guiding only for 20% revenue growth, it should be much higher than 20%?

Pawan Jain: We have given a guidance of 20% CAGR revenue growth for the next 3 years. So it may happen that in one year the growth could be 18% and in another year it may be 22-25%. So CAGR revenue growth would be 20% during the next 3 years.

Abhilasha Satale: With regards to the US market, could you tell me in quantity terms how much is the consumption of terry towels and bed-linen in US?

Pawan Jain: I do not have the quantity data, but the overall Indian market is around $ 2 billion, out of which 60% is exports and 40% is domestic. As far as export is concerned, about 51% is in US and 49% is rest of world. So if you see the share of India that has increased from 30% in 2009 to 37% in 2014 in the terry towel exports.

Abhilasha Satale: In quantity terms are we growing?

Pawan Jain: In total volume terms, about 90-92% is exports and 8-10% is domestic. So it is growing at a same pace.

Abhilasha Satale: In H1 FY16, how much has been the growth in terry towel and bed-linen in US market?

Pawan Jain: There is no data available for FY16 right now, but upto 2014 the Indian market share of terry towel exports was 37% to US.

Moderator: Our next question is from the line of Nihal Jham of Edelweiss. Please go ahead.

Nihal Jham: In terry towels, you mentioned that we saw volume growth of 22% quarter-on-quarter for Q2 FY16 and we are guiding for a 15-20% annual growth. Now, considering that we already have significant towel capacity as we are already operating at 60%, isn't there a possibility that we can grow at the same rate going ahead also and clock a much higher growth rate?

Pawan Jain: We are targeting another 20% growth in FY17.

NihalJham: But I was assuming that the 20% growth rate is only for the current quarter and if we maintain the same growth rate for the forthcoming quarters then we could see a much better growth rate for full year FY16?

Pawan Jain: In Q1 FY16, the volume growth was around 7%, and within this quarter we had good orders so we could grow by 22%. So, on an average we are saying that we will grow by 20% in the volume terms.

NihalJham: This growth of 20% that we have seen, has it been in the new category of towels or how has been the breakup like?

Pawan Jain: This varies Quarter-to-quarter. So the product mix is different, sometimes you get more value-added towels and sometimes you get more of promotional sales within this period, so it all depends upon customer to customer.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the floor back to the management for closing comments.

Pawan Jain: Thank you everyone for joining us on the call today. Hope we were able to answer all your questions. Should you need any more clarifications please feel free to contact us or CDR India. Thank you.

Moderator: Ladies and gentlemen, 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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