

TRIDENT LTD

Result Update (PARENT BASIS): Q4 FY17

CMP: 85.75

MAY 10th, 2017

Overweight

ISIN:
INE064C01014

Index Details

Stock Data

Sector	Textiles
BSE Code	521064
Face Value	10.00
52wk. High / Low (Rs.)	92.30/42.00
Volume (2wk. Avg.)	398000
Market Cap (Rs. in mn.)	43696.40

Annual Estimated Results(A*: Actual / E*: Estimated)

Years(Rs. in mn)	FY16A	FY18E	FY19E
Net Sales	47359.76	54463.72	60999.37
EBITDA	9916.21	11426.93	12885.84
Net Profit	3369.78	4446.61	5380.98
EPS	6.61	8.73	10.56
P/E	12.97	9.83	8.12

Shareholding Pattern (%)

	As on Mar 2017	As on Dec 2016
Promoter	67.77	67.77
Public	32.23	32.23
Others	--	--

1 Year Comparative Graph



TRIDENT LTD

S&P BSE SENSEX

SYNOPSIS

- Trident Ltd is the flagship Company of Trident Group and is the largest terry towel and wheat straw based paper manufacturer in the world.
- The company has achieved a turnover of Rs. 12811.01 mn for the 4th quarter of the FY2016-17 as against Rs. 9712.28 mn in the corresponding quarter of the previous year, up by 31.91%.
- EBITDA was Rs. 2620.68 mn in Q4 FY17 as against Rs. 2059.35 mn in the corresponding period of last year, an increase 27.26%.
- Profit before tax (PBT) at Rs. 1290.01 mn in Q4 FY17 as compared to Rs. 766.96 mn in Q4 FY16, registered a growth of 68.20%.
- In Q4 FY17, net profit increased by 63.57% to Rs. 996.61 mn from Rs. 609.28 mn in Q4 FY16.
- The company has reported an EPS of Rs. 1.96 for the 4th quarter as against an EPS of Rs. 1.20 in the corresponding quarter of the previous year.
- The Company has recommended a Dividend of Rs. 0.30 per Equity share of Rs. 10 each for the Financial Year 2016-2017.
- Revenues for FY17 stood at Rs. 47359.76 mn as compared to Rs. 37108.04 mn in FY16, grew by 28%.
- During the year ended 31 March, 2017, Net Profit increased by 39% and stood at Rs. 3369.78 mn as compared to Rs. 2423.28 mn in the previous year.
- Net Sales and PAT of the company are expected to grow at a CAGR of 13% and 46% over 2016 to 2019E respectively.

PEER GROUPS	CMP	MARKET CAP	EPS	P/E (X)	P/BV(X)	DIVIDEND
Company Name	(Rs.)	Rs. in mn.	(Rs.)	Ratio	Ratio	(%)
Trident Ltd	85.75	43696.40	6.61	12.97	1.60	15.00
Himatsingka Seide Ltd	339.45	33421.30	17.71	19.17	3.99	50.00
Indo Count Industries Ltd	203.65	40200.40	12.42	16.40	7.29	20.00
Welspun India Ltd	91.05	91480.20	3.05	29.85	4.19	0.00

QUARTERLY HIGHLIGHTS (PARENT BASIS)

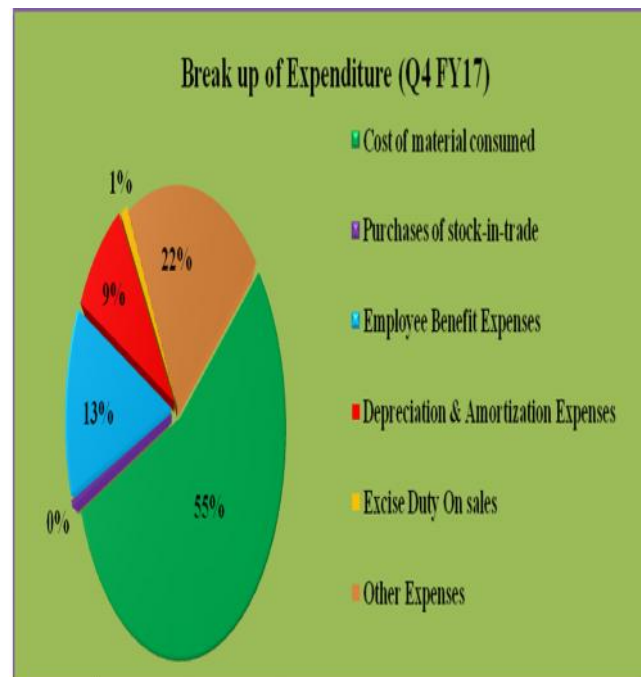
Results updates- Q4 FY17,

(Rs. in million)	Mar-17	Mar-16	% Change
Revenue	12811.01	9712.28	31.91%
Net Profit	996.61	609.28	63.57%
EPS	1.96	1.20	63.50%
EBIDTA	2620.68	2059.35	27.26%

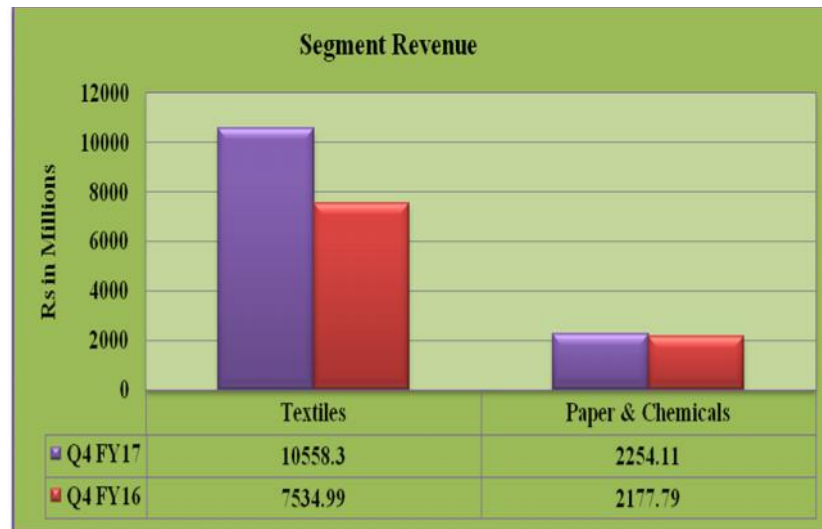
The company's net profit stood at Rs. 996.61 million against Rs. 609.80 million in the corresponding quarter ending of previous year, an increase of 63.57%. Revenue for the quarter rose by 31.91% to Rs. 12811.01 million as against Rs. 9712.28 million, when compared with the prior year period. Reported earnings per share of the company stood at Rs. 1.96 a share during the quarter, as against Rs. 1.20 per share over previous year period. Profit before interest, depreciation and tax is Rs. 2620.68 million as against Rs. 2059.35 million in the corresponding period of the previous year, up by 27.26%.

Break up of Expenditure

Break up of Expenditure	Value in Rs. Million		
	Q4 FY17	Q4 FY16	% Change
Cost of material consumed	6266.25	4530.62	38%
Purchases of stock-in-trade	53.40	15.40	247%
Employee Benefit Expenses	1510.22	1199.71	26%
Depreciation & Amortization Expenses	1010.04	928.39	9%
Excise Duty On sales of goods	128.05	122.87	4%
Other Expenses	2506.55	1931.43	30%



Segment Revenue



Latest Update

- The Company has recommended a Dividend of Rs. 0.30 per Equity share of RS.10 each for the Financial Year 2016-2017.

COMPANY PROFILE

Trident Limited is the flagship Company of Trident Group, a USD 1 billion Indian business conglomerate and a global player. Headquartered in Ludhiana, Punjab, Trident is the largest terry towel and wheat straw based paper manufacturer in the world. With the establishment of the state-of-the-art manufacturing processes and systems coupled with appropriate human capital and credentials, Trident has frequently received accolades from its patrons in recognition for delivering high quality standards and for its customer-centric approach.

The Company operates in two major business segments: Home Textiles and Paper with its manufacturing facilities located in Punjab and Madhya Pradesh. Trident's customer base spans over more than 100 countries across 6 continents and comprises of global retail brands like Ralph Lauren, JC Penney, IKEA, Target, Wal-Mart, Macy's, Kohl's, Sears, Sam's Club, Burlington, etc. With export turnover accounting for about 55% of total sales of the Company, Trident Group has emerged as one of the world's largest integrated home textile manufacturer.

FINANCIAL HIGHLIGHT (PARENT BASIS)

(A* - Actual, E* -Estimations & Rs. In Millions)

Balance Sheet as of March 31, 2016 -2019E

	FY16A	FY17A	FY18E	FY19E
ASSETS				
1) Non-Current Assets				
a) Property, plant and equipment	46535.19	43074.21	40920.50	41329.70
b) Capital Work in Progress	571.34	1097.58	1624.42	2030.52
c) Intangible assets	394.84	366.43	355.44	373.21
d)Intangible Assets Under Development	43.89	134.00	209.04	271.75
e)Financial Assets				
i) Investments	522.74	699.51	874.39	1031.78
ii) Other financial assets	389.56	364.22	353.29	346.23
h) Other Non – Current Assets	898.86	719.40	661.85	622.14
Sub - Total Non- Current assets	49356.42	46455.35	44998.92	46005.33
2) Current Assets				
a) Inventories	8985.05	7682.54	7298.41	7517.37
b) Financial assets				
i)Investments	1.12	48.94	73.41	102.77
ii) Trade receivables	2580.84	3816.75	5725.13	7156.41
iii) Cash and Cash equivalents	47.95	275.97	413.96	538.14
iv) Bank Balances other than	769.91	1048.27	1415.16	1698.20
v) Other Financial Assets	306.17	316.51	348.16	376.01
c) Other Current Assets	3015.68	1883.32	1694.99	1559.39
Sub - Total current assets	15706.72	15072.30	16969.22	18948.29
Total Assets (1+2)	65063.14	61527.65	61968.14	64953.62
EQUITY AND LIABILITIES				
1) EQUITY				
a) Equity Share Capital	5093.71	5095.79	5095.79	5095.79
b) Other equity	19062.44	22149.21	26595.82	31976.80
Total Equity	24156.15	27245.00	31691.61	37072.59
2) Non Current Liabilities				
a) Financial Liabilities				
i)Borrowings	21365.03	17462.92	14843.48	13068.31
ii) Other financial liabilities	600.00	0.00	0.00	0.00
b) Provisions	84.55	140.35	189.47	227.37
c) Deferred tax liabilities (Net)	1584.05	1657.16	1723.45	1792.38
d) Other non -current liabilities	922.90	807.26	750.75	713.21
Sub - Total Non Current liabilities	24556.53	20067.69	17507.15	15801.28
3) Current Liabilities				
a)Financial liabilities				
i) Borrowings	9732.84	8038.51	6832.91	6286.28
ii) Trade payables	2215.91	2292.52	2407.15	2461.77
iii) Other financial liabilities	3968.63	3420.77	3010.28	2769.46
b) Other current liabilities	371.42	387.25	434.78	469.56
c) Provisions	61.66	75.91	84.26	92.69
Sub - Total current liabilities	16350.46	14214.96	12769.37	12079.75
Total Equity and Liabilities (1+2+3)	65063.14	61527.65	61968.14	64953.62

Annual Profit & Loss Statement for the period of 2016 to 2019E

Value(Rs.in.mn)	FY16A	FY17A	FY18E	FY19E
Description	12m	12m	12m	12m
Net Sales	37108.04	47359.76	54463.72	60999.37
Other Income	333.25	1033.70	1106.06	1216.66
Total Income	37441.29	48393.46	55569.78	62216.04
Expenditure	-29806.70	-38477.25	-44142.85	-49330.19
Operating Profit	7634.59	9916.21	11426.93	12885.84
Interest	-1452.30	-1410.10	-1226.79	-1079.57
Gross profit	6182.29	8506.11	10200.15	11806.27
Depreciation	-3366.21	-4121.14	-4492.04	-4851.41
Profit Before Tax	2816.08	4384.97	5708.11	6954.87
Tax	-392.80	-1015.19	-1261.49	-1573.89
Net Profit	2423.28	3369.78	4446.61	5380.98
Equity capital	5093.71	5095.79	5095.79	5095.79
Reserves	11722.83	22149.21	26595.82	31976.80
Face value	10.00	10.00	10.00	10.00
EPS	4.76	6.61	8.73	10.56

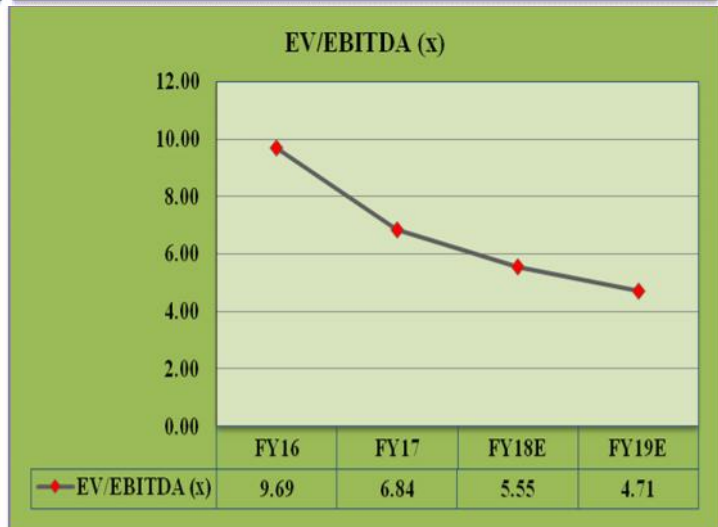
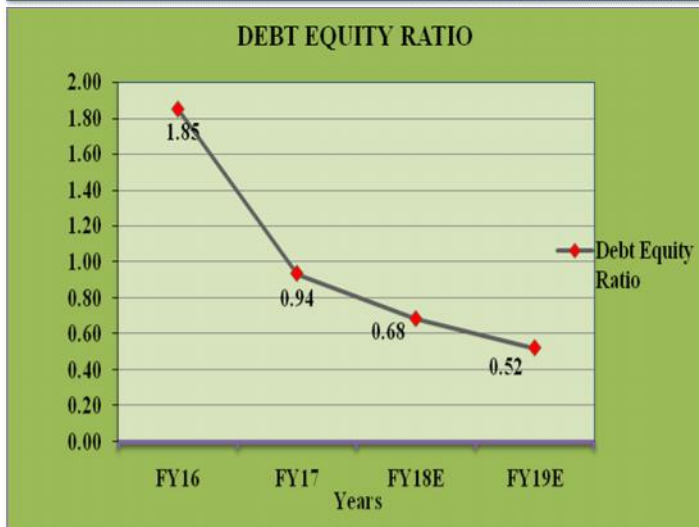
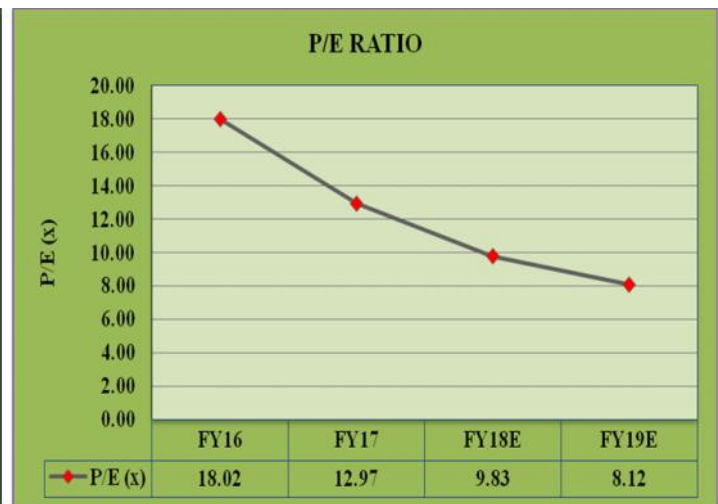
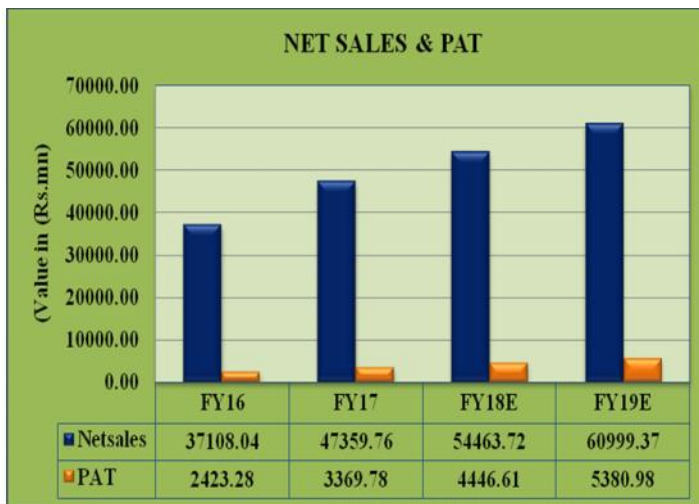
Quarterly Profit & Loss Statement for the period of 30th Sep, 2016 to 31st Jun, 2017E

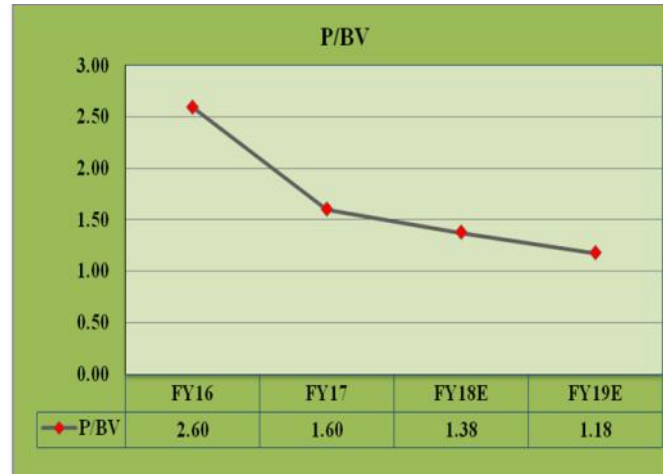
Value(Rs.in.mn)	30-Sep-16	31-Dec-16	31-Mar-17	31-Jun-17E
Description	3m	3m	3m	3m
Net sales	11817.31	11353.87	12811.01	13964.00
Other income	93.04	106.62	490.01	196.00
Total Income	11910.35	11460.49	13301.02	14160.00
Expenditure	-9467.94	-9101.96	-10680.34	-11273.14
Operating profit	2442.41	2358.53	2620.68	2886.87
Interest	-347.64	-301.58	-320.63	-333.46
Gross profit	2094.77	2056.95	2300.05	2553.41
Depreciation	-1044.47	-1035.15	-1010.04	-1040.34
Profit Before Tax	1050.30	1021.80	1290.01	1513.07
Tax	-249.64	-236.05	-293.40	-351.03
Net Profit	800.66	785.75	996.61	1162.04
Equity capital	5095.79	5095.79	5095.79	5095.79
Face value	10.00	10.00	10.00	10.00
EPS	1.57	1.54	1.96	2.28

Ratio Analysis

Particulars	FY16A	FY17A	FY18E	FY19E
EPS (Rs.)	4.76	6.61	8.73	10.56
EBITDA Margin (%)	20.57%	20.94%	20.98%	21.12%
PBT Margin (%)	7.59%	9.26%	10.48%	11.40%
PAT Margin (%)	6.53%	7.12%	8.16%	8.82%
P/E Ratio (x)	18.02	12.97	9.83	8.12
ROE (%)	14.41%	12.37%	14.03%	14.51%
ROCE (%)	22.96%	26.61%	29.83%	31.43%
Debt Equity Ratio	1.85	0.94	0.68	0.52
EV/EBITDA (x)	9.69	6.84	5.55	4.71
Book Value (Rs.)	33.01	53.47	62.19	72.75
P/BV	2.60	1.60	1.38	1.18

Charts





OUTLOOK AND CONCLUSION

- At the current market price of **Rs.85.75**, the stock P/E ratio is at 9.83 x FY18E and 8.12 x FY19E respectively.
- Earning per share (EPS) of the company for the earnings for FY18E and FY19E is seen at Rs. 8.73 and Rs. 10.56 respectively.
- Net Sales and PAT of the company are expected to grow at a CAGR of 13% and 46% over 2016 to 2019E, respectively.
- On the basis of EV/EBITDA, the stock trades at 5.55 x for FY18E and 4.71 x for FY19E.
- Price to Book Value of the stock is expected to be at 1.38 x and 1.18 x for FY18E and FY19E respectively.
- Hence, we say that, we are Overweight in this particular scrip for Medium to Long term investment.

INDUSTRY OVERVIEW

India's textiles sector is one of the oldest industries in Indian economy dating back several centuries. Even today, textiles sector is one of the largest contributors to India's exports with approximately 11 per cent of total exports. The textiles industry is also labor intensive and is one of the largest employers. The textile industry has two broad segments. First, the unorganized sector consists of handloom, handicrafts and sericulture, which are operated on a small scale and through traditional tools and methods. The second is the organized sector consisting of spinning, apparel and garments segment which apply modern machinery and techniques such as economies of scale.

The textile industry employs about 40 million workers and 60 million indirectly. India's overall textile exports during FY 2015-16 stood at US\$ 40 billion.

The Indian textiles industry is extremely varied, with the hand-spun and hand-woven textiles sectors at one end of the spectrum, while the capital intensive sophisticated mills sector at the other end of the spectrum. The decentralized power looms/ hosiery and knitting sector form the largest component of the textiles sector. The close linkage of the textile industry to agriculture (for raw materials such as cotton) and the ancient culture and traditions of the country in terms of textiles make the Indian textiles sector unique in comparison to the industries of other countries. The Indian textile industry has the capacity to produce a wide variety of products suitable to different market segments, both within India and across the world.

The Indian textiles industry, currently estimated at around US\$ 108 billion, is expected to reach US\$ 223 billion by 2021. The industry is the second largest employer after agriculture, providing employment to over 45 million people directly and 60 million people indirectly. The Indian Textile Industry contributes approximately 5 per cent to India's Gross Domestic Product (GDP), and 14 per cent to overall Index of Industrial Production (IIP).

Indian exports of locally made retail and lifestyle products grew at a compound annual growth rate (CAGR) of 10 per cent from 2013 to 2016, mainly led by bedding bath and home decor products and textiles.

The textiles sector has witnessed a spurt in investment during the last five years. The industry (including dyed and printed) attracted Foreign Direct Investment (FDI) worth US\$ 2.41 billion during April 2000 to December 2016.

Government Initiatives

The Indian government has come up with a number of export promotion policies for the textiles sector. It has also allowed 100 per cent FDI in the Indian textiles sector under the automatic route.

The key initiatives announced in the Union Budget 2017-18 to boost the textiles sector are listed below:

- Encourage new entrepreneurs to invest in sectors such as knitwear by increasing allocation of funds to Mudra Bank from Rs 1,36,000 crore (US\$ 20.4 billion) to Rs 2,44,000 crore (US\$ 36.6 billion).
- Upgrade labour skills by allocating Rs 2,200 crore (US\$ 330 million)

Some of initiatives taken by the government to further promote the industry are as under:

- The Government of India plans to introduce a mega package for the powerloom sector, which will include social welfare schemes, insurance cover, cluster development, and upgradation of obsolete looms, along with tax benefits and marketing support, which is expected to improve the status of power loom weavers in the country.
- The Ministry of Textiles has signed memorandum of understanding (MoU) with 20 e-commerce companies, aimed at providing a platform to artisans and weavers in different handloom and handicraft clusters across the country for selling their products directly to the consumer.

- Memorandum of Understanding (MoU) worth Rs 8,835 crore (US\$ 1.3 billion) in areas such as textile parks, textile processing, machinery, carpet development and others, were signed during the Vibrant Gujarat 2017 Summit.
- The Union Minister for Textiles inaugurated Meghalaya's first-ever apparel and garment making centre to create employment opportunities in the region. The Union Minister for Textiles also mentioned Meghalaya has been sanctioned Rs 32 crore (US\$ 4.8 million) for promotion of handlooms.
- The Government of India has announced a slew of labour-friendly reforms aimed at generating around 11.1 million jobs in apparel and made-ups sectors, and increasing textile exports to US\$ 32.8 billion and investment of Rs 80,630 crore (US\$ 12.09 billion) in the next three years.
- The Clothing Manufacturers' Association of India (CMAI) has signed a memorandum of understanding (MOU) with China Chamber of Commerce for Import and Export of Textiles (CCCT) to explore potential areas of mutual co-operation for increasing apparel exports from India.
- The Government of India has started promotion of its 'India Handloom' initiative on social media like Facebook, Twitter and Instagram with a view to connect with customers, especially youth, in order to promote high quality handloom products

Road Ahead

The future for the Indian textile industry looks promising, buoyed by both strong domestic consumption as well as export demand. With consumerism and disposable income on the rise, the retail sector has experienced a rapid growth in the past decade with the entry of several international players like Marks & Spencer, Guess and Next into the Indian market. The organised apparel segment is expected to grow at a Compound Annual Growth Rate (CAGR) of more than 13 per cent over a 10-year period.

The Union Ministry of Textiles, which has set a target of doubling textile exports in 10 years, plans to enter into bilateral agreements with Africa and Australia along with working on a new textile policy to promote value addition, apart from finalising guidelines for the revised Textile Upgradation Fund Scheme (TUFS).

The Indian cotton textile industry is expected to showcase a stable growth in FY2017-18, supported by stable input prices, healthy capacity utilisation and steady domestic demand.

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