

TRIDENT LTD

Result Update (PARENT BASIS): Q3 FY17

CMP: 69.70

FEB 16th, 2017

Overweight

ISIN:
INE064C01014

Index Details

Stock Data

Sector	Textiles
BSE Code	521064
Face Value	10.00
52wk. High / Low (Rs.)	73.20/40.30
Volume (2wk. Avg.)	284000
Market Cap (Rs. in mn.)	35517.66

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

Years(Rs in mn)	FY16A	FY17E	FY18E
Net Sales	37331.74	47052.45	55992.41
EBITDA	7584.83	9784.24	11473.57
Net Profit	2332.85	3197.36	3834.65
EPS	4.71	6.27	7.53
P/E	14.78	11.11	9.26

Shareholding Pattern (%)

	As on Dec 2016	As on Sep 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.
- During Q3 FY17, the company's net profit jumps to Rs. 785.75 mn from Rs. 610.40 mn in Q3 FY16, an increase of 28.73%.
- Revenue for the quarter rose by 26.84% to Rs. 11387.42 mn from Rs. 8977.68 mn, when compared with the prior year period.
- EBITDA increased by 32.13% to Rs. 2333.15 mn during Q3 FY17 from Rs. 1765.82 mn in Q3 FY16.
- During Q3 FY17, Profit before tax grew 41.45% at Rs. 1021.80 mn against Rs. 722.40 mn in Q3 FY16.
- EPS of the company stood at Rs. 1.54 during the quarter, as against Rs. 1.20 per share over previous year period.
- Home Textile segment top-line increased by 30% in Q3 FY17 to Rs. 9155.24 mn compared to Rs. 7040.92 mn in Q3 FY16.
- Paper & Chemicals segment top-line increased by 11% in Q3 FY17 to Rs. 2233.41 mn in Q3 FY17 compared to Rs. 2009.62 mn in Q3 FY16.
- Trident Ltd has declared 2nd Interim Dividend of Rs. 0.60/- (6%) per fully paid up Equity Share of Rs. 10/- each.
- PAT higher by 36.64% to Rs. 2370.92 mn in 9M FY17 compared to Rs. 1735.19 mn in 9M FY16.
- During 9M FY17, net sales increased by 26.49% to Rs. 34867.91 mn from Rs. 27565.87 mn in 9M FY16.
- Net Sales and PAT of the company are expected to grow at a CAGR of 10% and 18% over 2015 to 2018E 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	69.70	35517.66	4.71	14.78	2.07	9.00
Himatsingka Seide Ltd	364.90	35927.00	17.85	20.44	3.65	50.00
Indo Count Industries Ltd	165.00	32570.90	12.42	13.29	5.91	20.00
Welspun India Ltd	91.35	91781.60	3.96	23.07	4.62	130.00

QUARTERLY HIGHLIGHTS (PARENT BASIS)

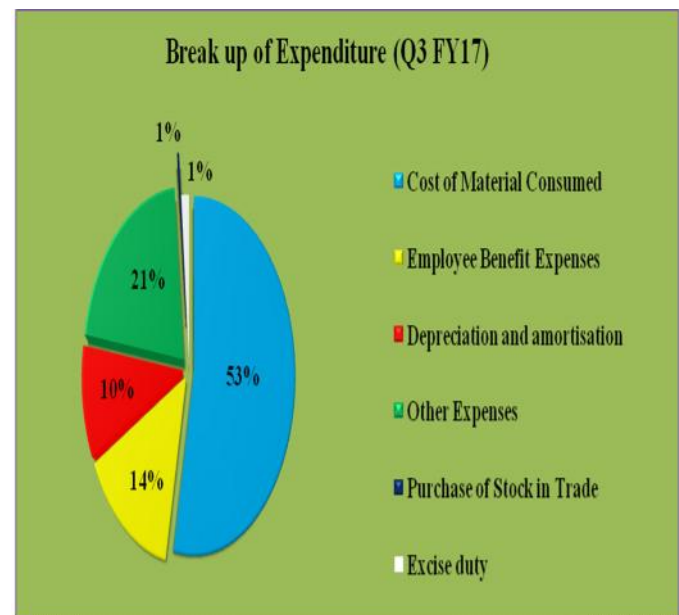
Results updates- Q3 FY17,

(Rs in million)	Dec-16	Dec-15	% Change
Revenue	11387.42	8977.68	26.84%
Net Profit	785.75	610.40	28.73%
EPS	1.54	1.20	28.57%
EBIDTA	2333.15	1765.82	32.13%

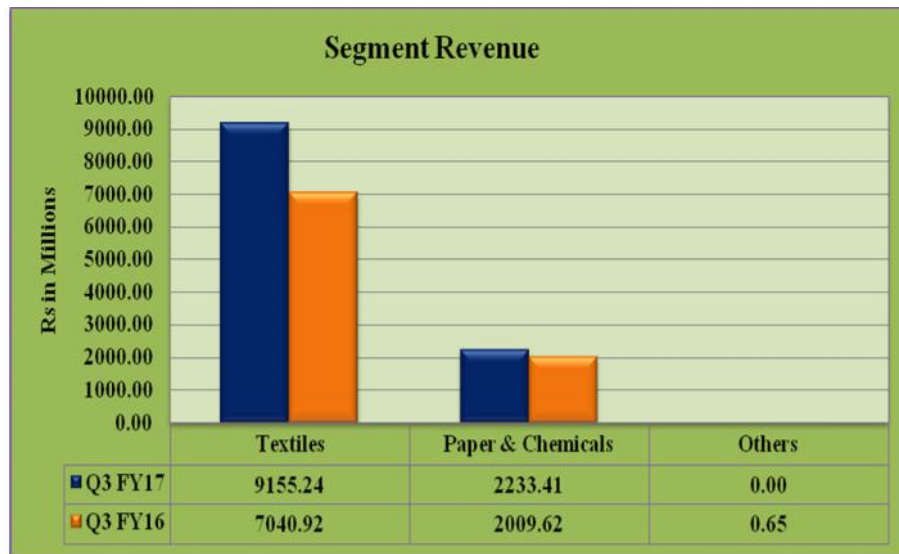
The company's net profit jumps to Rs. 785.75 million from Rs. 610.40 million in the corresponding quarter ending of previous year, an increase of 28.73%. Revenue for the quarter rose by 26.84% to Rs. 11387.42 million from Rs. 8977.68 million, when compared with the prior year period. Reported earnings per share of the company stood at Rs. 1.54 during the quarter, as against Rs. 1.20 per share over previous year period. Profit before interest, depreciation and tax is Rs. 2333.15 million as against Rs. 1765.82 million in the corresponding period of the previous year.

Break up of Expenditure

Break up of Expenditure	Value in Rs. Million		
	Q3 FY17	Q3 FY16	% Change
Cost of Material Consumed	5488.81	4154.97	32%
Employee Benefit Expenses	1446.84	1037.91	39%
Depreciation and amortisation	1035.15	812.11	27%
Other Expenses	2185.78	1863.33	17%
Purchase of Stock in Trade	33.83	25.58	32%
Excise duty	130.49	110.69	18%



Segment Revenue



Segmental Overview (Q3 FY17)

Home Textile

- ✓ Topline increased by 30% in Q3 FY17 on Y-o-Y basis to Rs. 9155.24 mn compared to Rs. 7040.92 mn in the corresponding quarter of last financial year. This was driven by strong volume growth in Terry Towels & Yarn across markets as a result of sustained focus & efforts on marketing, designing as well as product innovation. Healthy traction in Bed Linen Segment, in both international as well as domestic market further supported this momentum.
- ✓ EBITDA increased by 29% to Rs. 1620 mn in Q3 F17 compared to Rs. 1260 mn in Q3 FY16

Paper & Chemicals

- ✓ Topline increased by 11% in Q3 FY17 on Y-o-Y basis to Rs. 2233.41 mn in Q3 FY17 compared to Rs. 2009.62 mn in Q3 FY16.
- ✓ EBITDA higher by 30% to Rs. 850 mn in Q3 FY17 from Rs. 660 mn in Q3 FY16.

Other updates

- Cash Profits during 9M FY17 stood at Rs. 5490 mn vis-à-vis Rs. 4180 mn, higher by 31%.
- Net Debt as on December 31, 2016 stood at Rs. 26080 mn compared to Rs. 32730 mn as on March 31, 2016.
- Trident Ltd has declared 2nd Interim Dividend of Rs. 0.60/- (6%) per fully paid up Equity Share of Rs. 10/- each.

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, 2015 -2018E

	FY15A	FY16A	FY17E	FY18E
SOURCES OF FUNDS				
Shareholder's Funds				
Share Capital	5086.40	5693.70	5695.79	5695.79
Reserves and Surplus	9466.80	11722.90	14920.26	18754.91
1. Sub Total - Net worth	14553.20	17416.60	20616.05	24450.70
Non Current Liabilities				
Long term Borrowings	13961.00	21365.00	19121.68	17783.16
Deferred Tax Liabilities	1242.10	1726.70	2158.38	2546.88
Long term Provisions	405.10	84.50	98.02	109.78
2. Sub Total - Non Current Liabilities	15608.20	23176.20	21378.07	20439.82
Current Liabilities				
Short term Borrowings	8156.00	8987.50	7819.13	7271.79
Trade Payables	2163.00	2197.80	2769.23	3295.38
Other Current Liabilities	4514.90	4223.00	4560.84	4880.10
Short Term Provisions	43.60	236.60	272.09	307.46
3. Sub Total - Current Liabilities	14877.50	15644.90	15421.28	15754.73
Total Liabilities (1+2+3)	45038.90	56237.70	57415.41	60645.25
APPLICATION OF FUNDS				
Non-Current Assets				
Fixed Assets				
Tangible assets	28608.30	37907.30	37526.39	38641.94
Intangible assets	30.30	394.80	454.02	503.96
Capital Work in Progress	1993.00	572.40	732.67	842.57
Intangible assets under development	225.90	43.90	55.31	63.61
a) Sub Total - Fixed Assets	30857.50	38918.40	38768.40	40052.09
b) Non-current investments	117.00	370.20	470.15	540.68
c) Long Term Loans and Advances	1727.90	1905.70	2239.20	2507.90
1. Sub Total - Non Current Assets	32702.40	41194.30	41477.75	43100.66
Current Assets				
Current Investments	196.50	196.50	2370.15	2512.36
Inventories	7465.40	9011.60	5857.54	6384.72
Trade receivables	2047.80	1835.40	2734.75	3172.31
Cash and Bank Balances	167.70	817.90	1284.10	1451.04
Short-terms loans & advances	2437.10	3167.40	3674.18	4004.86
Other current assets	22.00	14.60	16.94	19.31
2. Sub Total - Current Assets	12336.50	15043.40	15937.66	17544.59
Total Assets (1+2)	45038.90	56237.70	57415.41	60645.25

Annual Profit & Loss Statement for the period of 2015 to 2018E

Value(Rs.in.mn)	FY15A	FY16A	FY17E	FY18E
Description	12m	12m	12m	12m
Net Sales	37842.71	37331.74	47052.45	55992.41
Other Income	37.47	109.56	295.60	331.08
Total Income	37880.18	37441.30	47348.05	56323.49
Expenditure	-30929.26	-29856.47	-37563.81	-44849.92
Operating Profit	6950.92	7584.83	9784.24	11473.57
Interest	-2059.63	-1382.73	-1349.50	-1430.47
Gross profit	4891.29	6202.10	8434.74	10043.09
Depreciation	-3213.16	-3371.96	-4263.12	-5030.48
Profit Before Tax	1678.13	2830.14	4171.62	5012.61
Tax	-499.90	-497.29	-974.25	-1177.96
Net Profit	1178.23	2332.85	3197.36	3834.65
Equity capital	5086.40	4948.23	5095.79	5095.79
Reserves	9466.80	11722.90	14920.26	18754.91
Face value	10.00	10.00	10.00	10.00
EPS	2.32	4.71	6.27	7.53

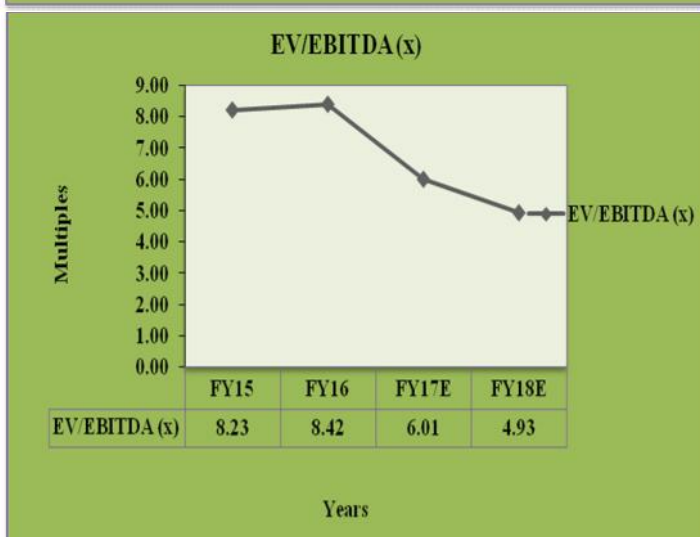
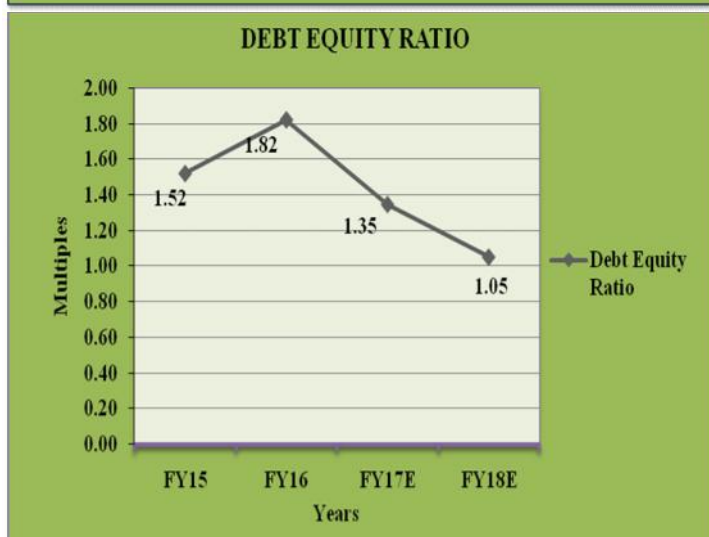
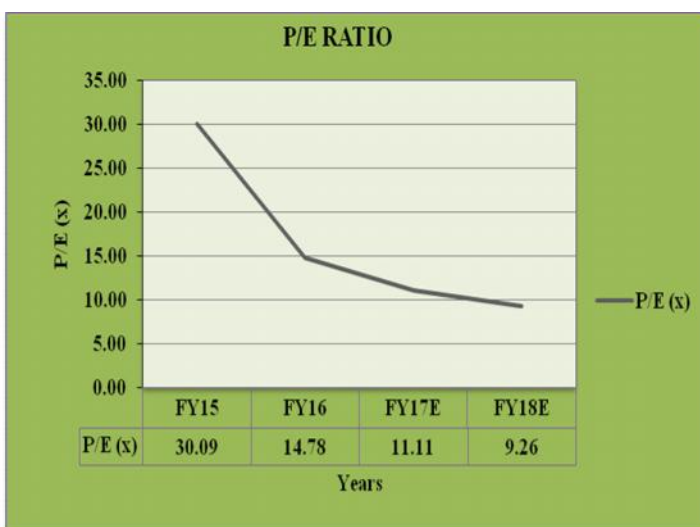
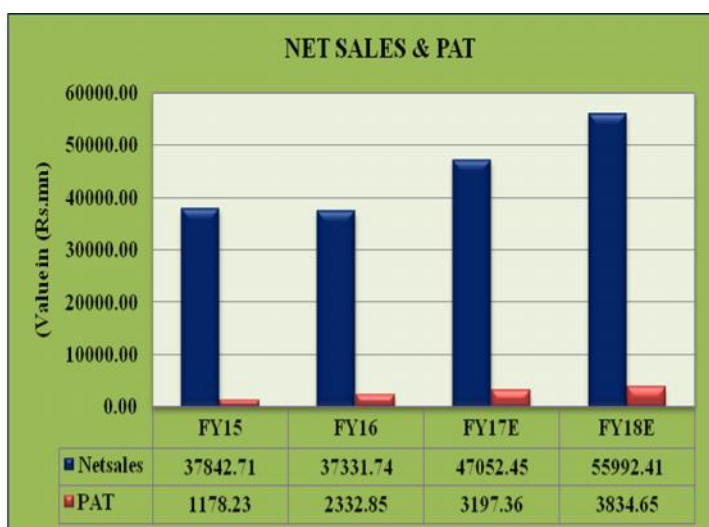
Quarterly Profit & Loss Statement for the period of 30th June, 2016 to 31st Mar, 2017E

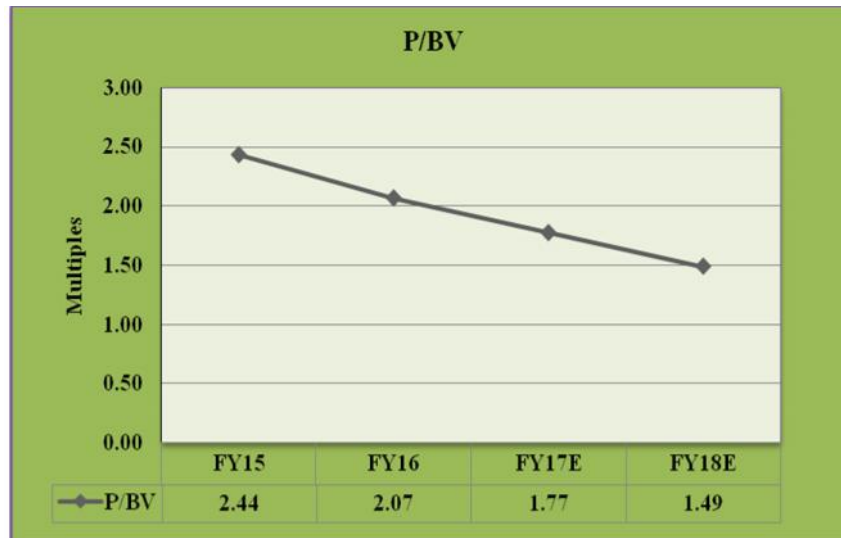
Value(Rs.in.mn)	30-Jun-16	30-Sep-16	31-Dec-16	31-Mar-17E
Description	3m	3m	3m	3m
Net sales	11663.18	11817.31	11387.42	12184.54
Other income	53.50	93.04	73.07	75.99
Total Income	11716.68	11910.35	11460.49	12260.53
Expenditure	-9245.27	-9467.94	-9127.34	-9723.26
Operating profit	2471.41	2442.41	2333.15	2537.27
Interest	-416.32	-347.64	-276.20	-309.34
Gross profit	2055.09	2094.77	2056.95	2227.93
Depreciation	-1034.48	-1044.47	-1035.15	-1149.02
Profit Before Tax	1020.61	1050.30	1021.80	1078.91
Tax	-236.10	-249.64	-236.05	-252.46
Net Profit	784.51	800.66	785.75	826.44
Equity capital	4949.67	5095.79	5095.79	5095.79
Face value	10.00	10.00	10.00	10.00
EPS	1.58	1.57	1.54	1.62

Ratio Analysis

Particulars	FY15A	FY16A	FY17E	FY18E
EPS (Rs.)	2.32	4.71	6.27	7.53
EBITDA Margin (%)	18.37%	20.32%	20.79%	20.49%
PBT Margin (%)	4.43%	7.58%	8.87%	8.95%
PAT Margin (%)	3.11%	6.25%	6.80%	6.85%
P/E Ratio (x)	30.09	14.78	11.11	9.26
ROE (%)	8.10%	13.99%	15.97%	16.08%
ROCE (%)	27.72%	23.30%	29.92%	33.75%
Debt Equity Ratio	1.52	1.82	1.35	1.05
EV/EBITDA (x)	8.23	8.42	6.01	4.93
Book Value (Rs.)	28.61	33.69	39.28	46.80
P/BV	2.44	2.07	1.77	1.49

Charts





OUTLOOK AND CONCLUSION

- At the current market price of **Rs.69.70**, the stock P/E ratio is at 11.11 x FY17E and 9.26 x FY18E respectively.
- Earning per share (EPS) of the company for the earnings for FY17E and FY18E is seen at Rs. 6.27 and Rs. 7.53 respectively.
- Net Sales and PAT of the company are expected to grow at a CAGR of 10% and 18% over 2015 to 2018E respectively.
- On the basis of EV/EBITDA, the stock trades at 6.01 x for FY17E and 4.93 x for FY18E.
- Price to Book Value of the stock is expected to be at 1.77 x and 1.49 x for FY17E and FY18E respectively.
- Hence, we say that, we are Overweight in this particular scrip for Medium to Long term investment.

INDUSTRY OVERVIEW

Global textile industry

The global textile industry is currently valued at USD467 billion. Nominal textile and clothing sales fell by 4% in 2015 due to unusually low commodity prices and multiple currency depreciations, particularly in the emerging markets.

In terms of market leadership, the Asia Pacific region, particularly China, has always had a dominant position in the global textile markets. But in recent times, doing business in China is proving to be prohibitive due to rising costs of labour and increased competition from low-cost nations.

Indian textile industry

The textiles sector is India's oldest with a market size of USD108 billion and projected to reach USD223 billion by 2021. This industry is extremely diverse and manufactures a range of textiles and fabrics. This industry depends heavily on the agricultural sector for raw materials such as cotton and has the capacity to produce a wide range of products to cater to diverse market segments across the globe.

This sector has organised and unorganized players. The unorganised segment consists of handlooms, handicrafts and sericulture units with small-scale operations and a reliance on traditional tools and methods. The organised sector on the other hand consists of spinning, apparel and garments segments that apply modern machinery and techniques such as economies-of-scale.

India's position in the global textile market

- ✓ Is the world's second-largest producer of textiles and garments with 63% market share).
- ✓ Accounts for about 14% of the world's production of textile fibres and yarns.
- ✓ Is the largest producer of jute, second largest of silk and cotton, and third largest of cellulosic fibre.
- ✓ Accounts for about 24% of the world's spindle capacity and 8% of global rotor capacity.

The Indian textile sector has received significant investments in the past five years, attracting FDI worth USD1.77 billion between April 2000 and September 2015. Recognising its potential, the Indian Government has implemented an important investment-inducing policy to promote its growth.

Funding scheme: The Centre stitched together an Amended Technology Upgradation Fund Scheme (ATUFS) (to replace the Revised Restructured TUFS) that is expected to boost 'Make inIndia' in the textiles sector by attracting investments of Rs 1 lac crore and creating over 30 lac jobs. A Budget provision of Rs 17,822 crore has been approved, of which Rs. 12,671 crore is for committed liabilities under the ongoing scheme (RTUFS), and Rs. 5,151 crore is for new cases under ATUFS.

Export catalyst: The Government extended the 2% export benefit under MEIS (Merchandise Export from India Scheme) for more countries with immediate effect. Driven by strong domestic consumption and a demand for exports, this sector is expected to grow at a CAGR of more than 13% over the next 10 years.

Indian home textile industry

India is a globally-recognised player in the home textiles and furnishing fabric segments. It accounts for a 7% share of the global home textiles trade. The growth in the home textiles segment would be supported by growing household incomes, increasing population and growth of end-user sectors like housing, hospitality, healthcare, among others.

India, China and Pakistan contribute to about 80% of the home textile exports to the US and India enjoys a dominant position in cotton bed sheets and terrytowels of the total US imports of around 47% and 37%.

Outlook

The domestic home textiles market is expected to grow at a CAGR of 8% from 2011 till 2021 and reach a market value of Rs 40,800 crore driven by the growing working class, increasing affluence of the average Indian and growing trend towards nuclearisation.

The Indian home textile industry is also expected to register healthy export growth over the coming years. This optimism stems from two realities.

A major trend in developed nations (Especially the US) is that whenever families or individuals move to new homes, they buy fresh sets of bed linen and towels. This provides exciting opportunities for exporters, as US is the world's largest importer of home linen.

The European Union follows the US in imports. Also the house building in UK remains buoyant with required supply of homes seen at 240,000 per year, a promising opportunity for Indian home linen exporters.

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