

Industry	CMP	Recommendation	Add on dips to	Sequential Targets	Time Horizon
Textiles & Paper	Rs. 67.80	Buy at CMP and add on declines	Rs. 60-63	Rs. 79-88	1-2 quarters

HDFC Scrip Code	TRIDENEQNR
BSE Code	521064
NSE Code	TRIDENT
Bloomberg	TRID IN
CMP Jan 27 2017	Rs. 67.80
Equity Capital (Rs cr)	510.0
Face Value (Rs)	10.0
Eq- Share O/S(crs)	50.9
Market Cap (Rs crs)	3454.9
Book Value (Rs)	31.2
Avg. 52 Wk Volumes	356001
52 Week High	69.3
52 Week Low	37.3

Trident is the world's largest terry towel manufacturer and the world's largest wheat straw-based paper manufacturer. It was originally incorporated in 1990 as Abhishek Industries Ltd, promoted by Mr Rajinder Gupta; the name was changed in 2011 to Trident. Trident Ltd has business interests in Home Textiles, Yarn, Paper & Chemicals and Energy.

Investment Rationale:

Home Textiles (Terry Towels/Bed linen)

- Vertically integrated operations with pan global presence,
- Focus on value added products to boost margins going forward,
- Focused to expand its presence in overseas markets,
- Will benefit out of major capex of Rs.2700 cr between FY14-FY16 and no major capex lined up now.
- Gradual increase in capacity utilization will result in operating leverage benefits,
- Could be possible beneficiary of fresh large order wins post termination of Welspun contract by Target Corp,

Paper

- Received environment clearance for expansion of its paper mill could help to grow its paper business going forward,
- Launched copier brand in South in FY16 and expanded dealers/MBOs, all of which could help lift volumes

General

- Plans to cut interest cost by reducing its long term debt going forward,
- With sound financials, company is on track to significantly improve return ratios.

Concerns:

- High working capital requirements,
- Competition, Environmental norms/regulations,
- Shortage of Raw material, Change in Interest rate,
- Economic slowdown, Currency fluctuation risk.

View and Valuation:

The home textile business growth (out of the capex incurred over FY14-FY16) combined with steady contributions from the paper and yarn segments will lead to a healthy revenue and profit growth over FY16-FY19. The benefits of increasing scale of operations, highly integrated manufacturing process in both home textiles and paper, and continued access to low-cost raw material for paper division will ensure healthy and sustained operating profitability in the medium term.

Trident's financial risk profile will improve significantly over the medium term given the absence of major debt-funded capital expenditure (capex), progressive retirement of debt and improvement in liquidity. Its credit rating was revised upwards by CARE and CRISIL in Oct 2016 to 'A'.

Shareholding Pattern % (Dec 31, 16)	
Promoters	67.8
Institutions	2.8
Non Institutions	29.4
Total	100.0

Fundamental Research Analyst

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We feel investors could buy the stock at the CMP and add on dips to Rs. 60-63 band (~7.0x FY18E EPS or 5.1x FY18 EV/EBITDA) for sequential targets of Rs 79 (9.0x FY18E EPS or 6.0x FY18E EV/EBITDA) and Rs 88 (10.0x FY18E EPS or 6.4x EV/EBITDA FY18E). At the CMP of Rs 67.8 the stock trades at 7.7x FY18E EPS or 5.4x FY18 EV/EBITDA.

Financial Summary:

Particulars, Rs in Cr	Standalone					Consolidated				
	Q3FY17	Q3FY16	YoY-%	Q2FY17	QoQ-%	FY15	FY16	FY17E	FY18E	FY19E
Net Sales	1122.3	888.1	26.4%	1147.8	-2.2%	3755	3684	4656	5514	6379
EBITDA	226.0	172.8	30.8%	234.9	-3.8%	661	719	936	1075	1199
APAT	78.3	61.0	28.3%	80.1	-2.2%	118	229	316	450	566
Diluted EPS (Rs)	1.5	1.2	30.5%	1.6	-3.1%	2.3	4.0	6.2	8.8	11.1
P/E (x)						29.3	16.9	10.9	7.7	6.1
EV/EBITDA (x)						8.5	9.5	6.5	5.4	4.6
RoE (%)						8.1%	12.9%	16.8%	21.2%	22.9%

(Source: Company, HDFC sec)

Company Profile:

Trident is the world's largest terry towel manufacturer and the world's largest wheat straw-based paper manufacturer. It was originally incorporated in 1990 as Abhishek Industries Ltd, promoted by Mr Rajinder Gupta; the name was changed in 2011 to Trident. Trident Ltd has business interests in Home Textiles, Yarn, Paper & Chemicals and Energy.

Trident Ltd has established its presence in the Terry Towel segment and Bed Linen. Apart from this, Company is one of the top 10 yarn manufacturers in India. Its customer base is spread across 100 Countries in 6 Continents. Its brand has presence in more than 260 MBOs to address customer needs pan-India. Trident Ltd has manufacturing facilities, Sanghera & Dhaula, Punjab and Budni, Madhya Pradesh. It has entered into a partnership with French firm Lagardere Active Group, to launch a premium range of home textiles under the renowned French lifestyle brand Elle Décor in India.

Business Overview:

Broadly, Trident Ltd is engaged in (1) Home Textiles, (2) Yarn, (3) Paper & Chemical and (4) Energy

Home Textiles:

Trident is one of the largest integrated home textile producers in the world. The Company exports its textile products to more than 65 countries across the globe. It recorded revenues of Rs2904.3 cr in FY16, out of which 70% is earned through export business. Textile segment comprises Yarn, Towel, Bed sheets, Dyed Yarn manufacturing (Including utility service).

Trident Ltd offers a variety of brands of terry towels and bed linen in the domestic market, catering to everyday as well as indulgent use. Trident's home textiles products are sold under various established brands like Trident Home Essentials, Trident Indulgence, Trident Organica, Trident Cuddlies, Trident Bath Buddy and Trident Play. Trident has expanded its range with contemporary designs, innovative constructions and new fibres, all coming together to create the finest bed and bath collection.

Products Portfolio:

Towels	Bed-Linen	Yarn
Solid bath ensembles	Organic bed linen	Mélange
Jacquard bath ensembles	Air rich bed linen	Core spun yarn
Beach towels	Printed bed linen	Slub yarn
Celebratory towels and towels for special occasions	Dyed bed linen set	Core spun slub yarn
Sublistatic printed towels	Comforters	Compact yarn
Embroidered towels	Duvets	El-twist yarn
Bath mats	Duvet covers	Modal/Cotton blended yarn
Bathrobes in various designs/styles	Dohars	Micro modal/ Cotton blended yarn
	Cushion covers	Fine cotton compact yarn
		Soya blended yarn
		Viscose blended yarn
		Air-rich/wrapper yarn
		Zero-twist yarn
		Bamboo/cotton yarn
		Tencel/cotton blended yarn

(Source: Company, HDFC sec)

Paper and Chemical business:

Trident is the world's largest wheat straw-based paper producer with a paper and pulp capacity of 175,000 tonnes per annum and 125,000 tonnes per annum, respectively. The Company's facility is located in an area where adequate wheat straw is available within 50 to 60 kilometres radius. Trident has a customer presence across 54 countries including India, the Middle East, Africa, the US, Latin America and the UK, among others. Trident's copier paper is among the top-selling brands in India and it is easily available across all major hypermarkets and supermarkets. Company has launched Trident retailer ship scheme aimed at increasing consumer pull.

Products Portfolio:

Branded copier paper	Writing and printing map litho paper	Bible and offset print paper
Trident Spectra	Silver Line	Bible
Trident My Choice	Diamond Line	Cream wove
Trident Natural	Platinum Line	Offset (Watermark) paper
Trident Eco Green	Super Line	
Trident Royal Touch	Stiffener paper	
Trident Digi Print	Cartridge paper	
	Drawing paper	

(Source: Company, HDFC sec)

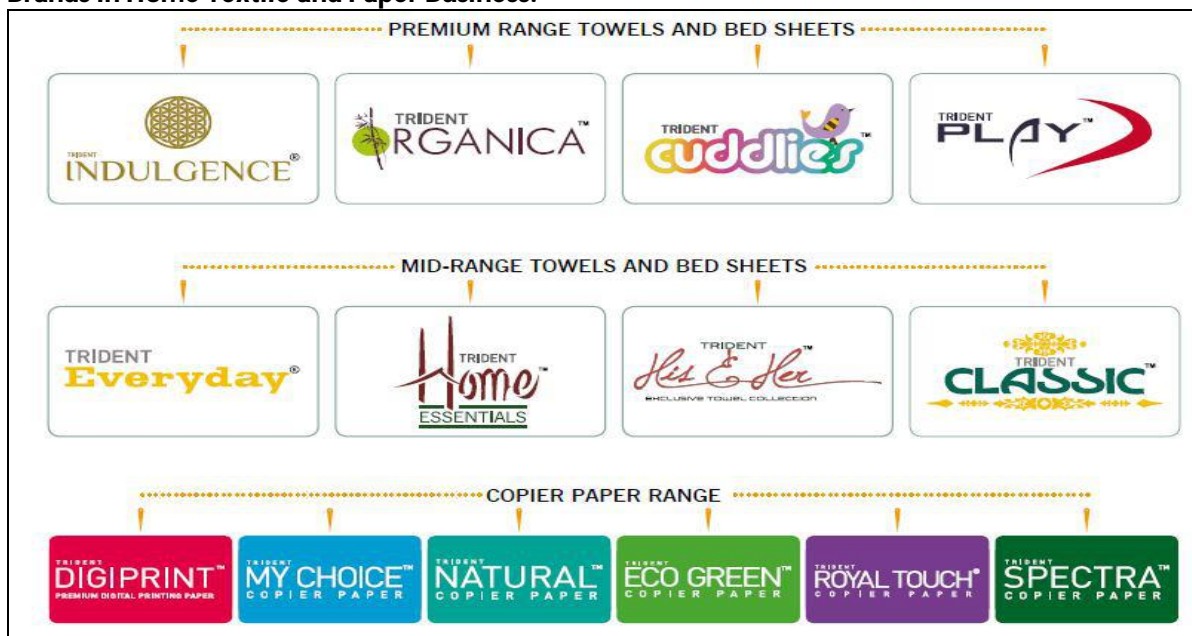
Chemical and Power Business:

Trident is engaged in manufacturing Sulphuric acid (used in manufacturing commercial battery). It is one of Northern India's largest commercial and battery grade sulphuric acid manufacturers. Trident has a production capacity of 100000 tons per

annum. It caters to diverse battery needs and also find usage in the production of zinc sulphate, alum, detergent and dye and fertilizers. During FY16, the Company produced 92,617 MT of sulphuric acid.

Apart from this, Trident has captive power capacity of 50 megawatts, produced through three mega turbines and two power boilers.

Brands in Home Textile and Paper Business:



(Source: Company, HDFC sec)

Manufacturing Facilities/Serving /Team size

Facilities	Division
Sanghera, Punjab	Textile
Dhaura, Punjab	Textile
Budni, Madhya Pradesh	Textile
Barnal Punjab	Paper & Chemical Division
Serving	
Countries	100
Continents	6
Team size (31st March 2016)	14500

(Source: Company, HDFC sec)

Holding/Subsidiaries and Associates Company:

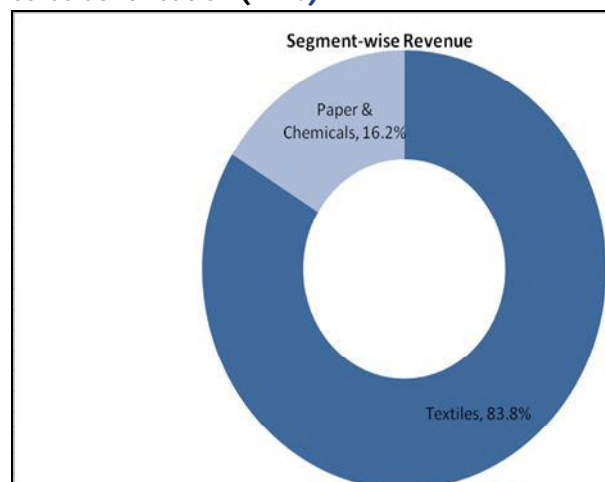
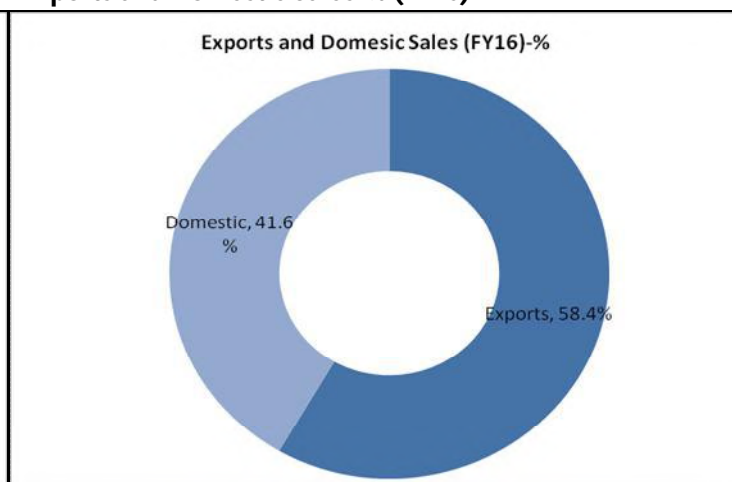
Company	Type	Holding-%
Trident Global Corp Limited	Subsidiary	100%
Trident Europe Limited	Subsidiary	100%
Lotus Texpark Ltd	Associate	32.40%
Trident Infotech Inc	Associate	49%
Trident Global Inc	Associate	49%

(Source: Company, HDFC sec)

Operating Metrics:
Production Capacity (FY16)

Business Verticals	Products	Capacity
Home Textiles	Terry Towel	688 looms/90000 MT/A
	Bed Sheet	500looms/43.2Million Meter
	Yarn	5.5lac Spindles &5504 rotors/115200 TPA
	Dyed Yarn	6825 TPA
Paper and Chemicals	Papers	175000 tpa
	Chemicals	100000 tpa
Energy	Captive Power	50 megawatts

(Source: Company, HDFC sec)

Sales Contribution (FY16)

Exports and Domestic Sales-% (FY16)


(Source: Company, HDFC sec)

Exports:

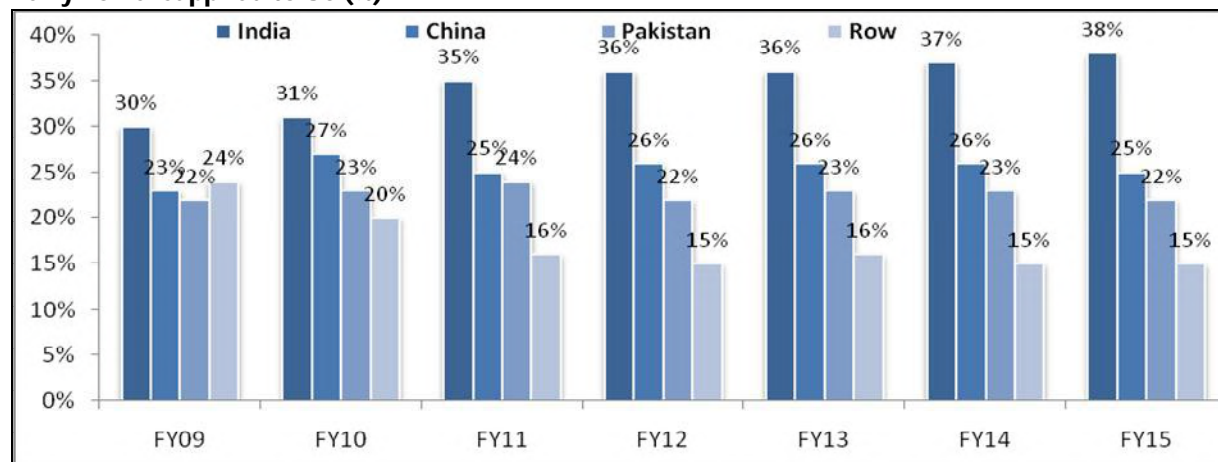
Trident has stepped up its exports to more than 100 countries and 6 continents, across US, Europe, Asia Pacific, Middle-East, the African sub continents which are a testimony to its global acceptance for its quality products meeting international standards. As on 31st March 2016, the US contributes more than 13% of overall sales and ~23% of total export revenue.

Industry Overview:

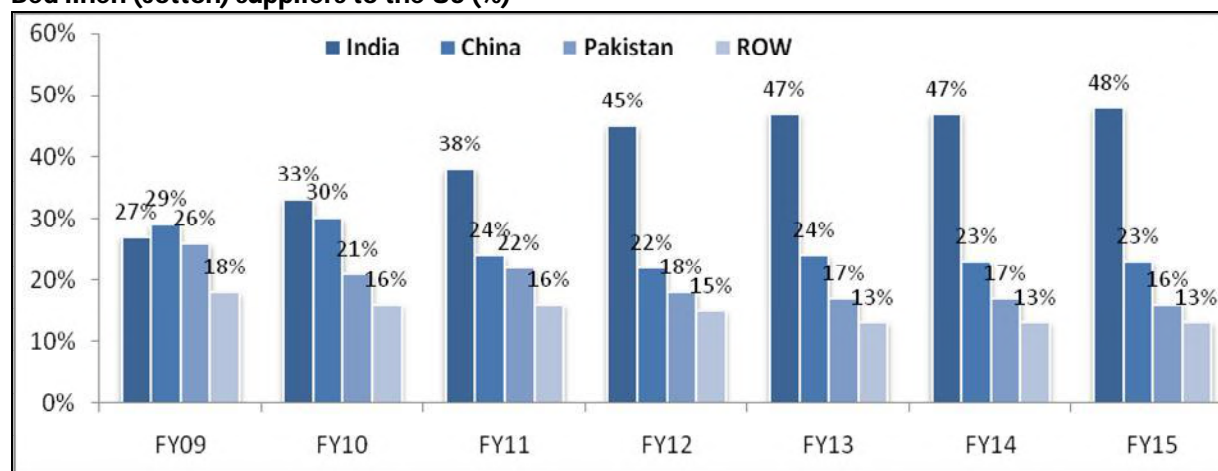
Textile Industry:

The India is a globally-recognized player in the home textiles and furnishing fabric segments. It accounts for a 7% share of the global home textiles trade. In India, home textiles market has more scope to grow led by growing household income, increasing population and growth of end users like housing, hospitality and healthcare etc. 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 terry towels of the total US imports of around 47% and 37%.

Terry Towel supplied to US (%)



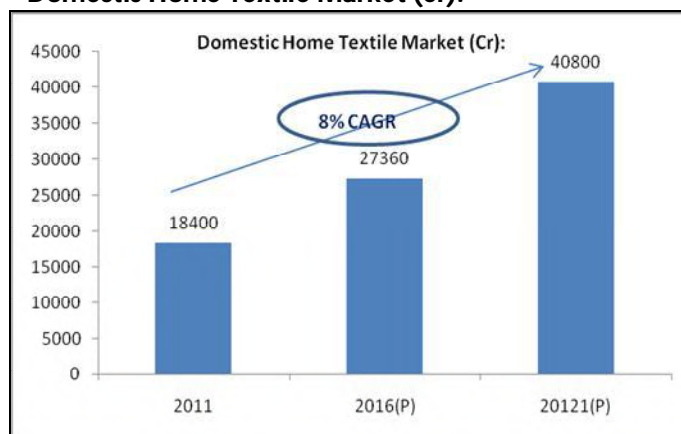
Bed linen (cotton) suppliers to the US (%)



(Source: Company, HDFC sec, Indian Brand Equity forum)

Key growth drivers:

- 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 trends towards nuclear living standard.
- The Indian home textile industry is also expected to register healthy export growth over the coming years on the back of;
 - Shifting into new homes in developed nation especially the US, family and individual buy fresh sets of bed linen and towel. This provides huge opportunities for exporters.
 - 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.

Domestic Home Textile Market (Cr):

Category wise market breakup (Cr)

Category	2011	2016(P)	2021(P)	CAGR 2011-21
Bed Linen	8,965	13,170	19,350	8%
Towels	3,320	4,840	7,060	8%
Curtains	1,850	2,975	4,790	10%
Blankets	1,465	2,040	2,850	7%
Upholstery	1,190	1,915	3,080	10%
Kitchen Linen	1,110	1,635	2,400	8%
Rugs & Carpets	500	790	1,250	9.50%
Total	18,400	27,360	40,800	8%

(Source: Company, HDFC sec, Indian Brand Equity forum)

Paper Industry

Consumption of paper in India is just about 3% of the global production of paper, which means that the average Indian consumes only about 10 kg of paper every year against a global average of over 57 kg. Indonesia consumes 33 kg of paper per capita while Japan consumes more than 220 kg per capita. The paper industry has huge potential to grow due to the lower per capita consumption in India comparing with other developing and developed nations. The estimated turnover of the industry is Rs 50,000 crore (\$8 billion) approximately and its contribution to the exchequer is around Rs 4,500 crore. The industry provides employment to more than 0.5 million people directly and 1.5 million people indirectly.

Key growth drivers in the Industry:

- In the coming years, the sector is poised to grow with decent pace on account of massive spurt in demand for writing and printing paper. The domestic demand for paper is set to surpass supply, with the growing emphasis on education and alternative uses of paper. These developments are expected to give fillip to the industry.

- The operating capacity of the industry currently stands at around 13 million tonnes. During 2015-16, domestic production was estimated to be around 12.2 million tonnes. As per industry guesstimates, over all paper consumption has now touched 13.9 million tonnes and per capita consumption is pegged at slightly below 10 kg. So far, the growth in paper industry has mirrored the growth in GDP. Demand of paper has been growing around 8% per annum for some time.
- Demand for better quality packaging of FMCG products marketed through organized retail, rising healthcare spends, over-the-counter medicines and increasing preference for ready-to-eat foods are the key demand drivers for paperboard.
- India is the fastest growing paper market globally, growing at over 7 per cent and projected to grow at over 4 per cent per annum till 2030 to 27 million tonnes by 2030. The industry has made an investment of over Rs 20,000 crore in last 5 years and it needs investments of Rs 90,000 crore to add new capacities by 2030. Demand of paper in India is expected to grow by 53% in next six years as the educational demand for paper is constantly on the rise.
- The market for writing and printing paper is expected to grow by about 6 per cent annually over the next five years. As a result, market for printing and writing paper will expand from the current 4.8 million tonnes in 2015-16 to about 5.8 million tonnes per year by 2018-19.

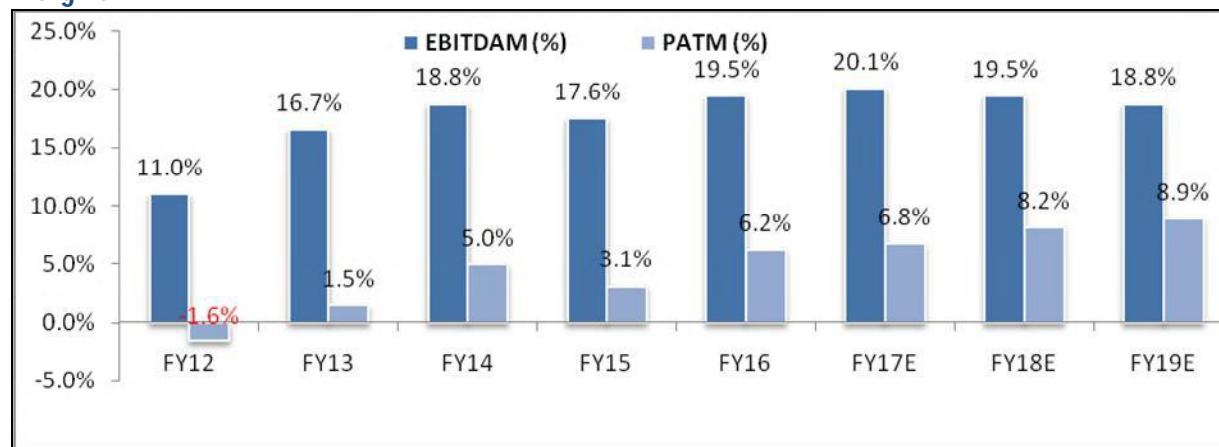
Investment Rationale:

Vertically integrated operations with pan global presence:

Trident has presence across the textile manufacturing value chain (from cotton yarn to value added home textile). This helps to bring better product portfolio to grow its business, strengthen value addition & control risk associated with raw material price fluctuation. Trident consumes ~38% of yarn internally. Company continuously focus on increasing captive consumption of yarn & expects captive consumption to reach 55%-60% at full utilization level. We believe incremental captive consumption could benefit company from better operational margins. A vertically integrated operation (cotton-to-terry towel and cotton-to-bed linen) ensures greater sustainability in performance.

Focus on value added product to boost margin going forward:

Trident extended the value-addition products across its bath and bed linen range. In FY16, Company expanded value-added towels range following the launch of niche towel products (Air Rich, low-lint towels, fade-resistant towels and cotton tinsel towels). Company has plans to launch a larger basket of soft, fluffy towels and jacquard designs. Company intends to enhance capacity utilization, improve product quality and optimize the consumption of utilities and consumables. We believe that the orientation towards new product development, innovation, and branding and value addition will make the Company attractively competitive across all market cycles. Over the next two years, Company expects high margin in Bath and Bed Linen products to contribute more in the total sales figure.

Margins:


(Source: Company, HDFC sec)

Focused to expand its overseas markets:

Trident is focused to expand its overseas markets by implanting key strategies of products promotion, strengthening products range and establishing long term relationship with clients. Key actions over the last two years include

- Trident incorporated a wholly-owned subsidiary M/s Trident Europe Limited (UK), which will strengthen its marketing channels in Europe.
- Company strengthened the marketing and design team in US for better market research and customer service.
- Trident strengthened its product range by including the Bed Linen range to strengthen long-term relationships with existing customers across USA, Europe, Australia, and Middle East.
- Company expanded its value-added range such as Air Rich, low tint, fade-resistant Bed and Bath Linen products to cater to the premium segment.
- Company is entering into the growing and emerging markets of Middle & Far East, APAC for marketing textile products and plans to establish a footprint in the international markets across USA, Europe, Middle East, SAARC and Africa.
- Apart from this, company's supply yarn to top corporate such as Pacific, Esquel, Yongour, Monti and WPH etc.
- Spreading customers geographically, entered market like UK, Italy, France, Japan, Australia, South Africa and Canada.

Trident has already received the following awards from its esteemed customers:

- Wal-Mart's 'Supplier of the Year' award (four times)
- JC Penney award ('Best Supplier', 'Innovation and Quality') (three times)
- Ikea Quality and Sustainability award (Two times)

Will benefit out of major capex of Rs.2,700 cr between FY14-FY16 and no major capex lined up now.

Trident incurred capex of Rs.2700 cr between Apr 2014 and Mar 2016 on its various initiatives (including the capex in Trident Corp which was merged with Trident). This affected its debt equity matrix and return ratios as the capacities will take time to get utilized. However in 9MFY17, the impact of rising capacity utilization is visible on sales and profits. This will be more visible

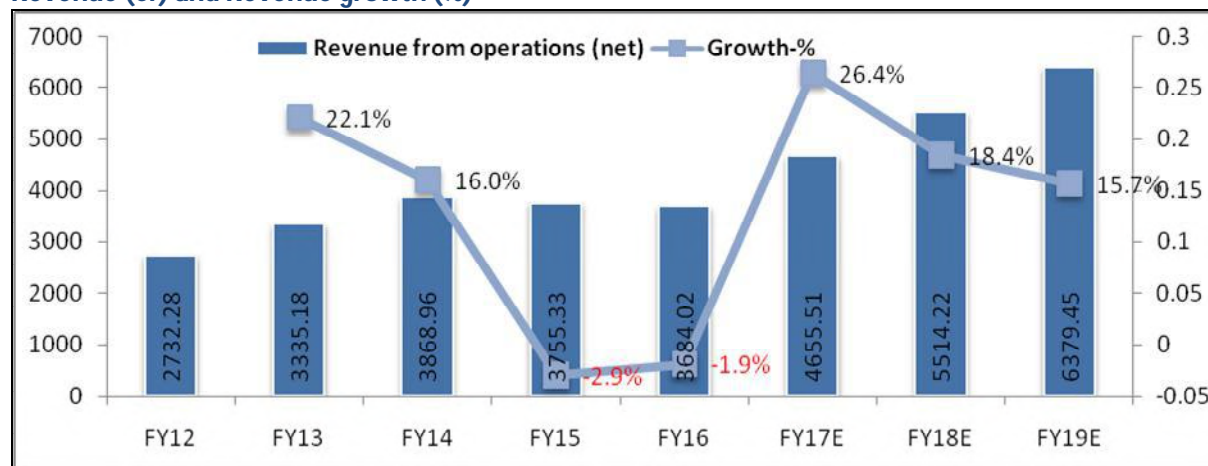
in FY18 and FY19. The management has also assured of no big capex in the near term and has hinted at repaying the loans to bring down its D/E ratio.

Gradual increase in capacity utilization will result in operating leverage benefits,:

- Trident commissioned a bed linen facility with a capacity of 500 looms in Feb 2016. This facility is likely to produce 43.2 million meters of bed linen at optimum utilization with targeted revenues of Rs.1200 Cr, this facility is expected to operate at 30%-40% utilization by end FY17, rising to 40-50% by FY18 with balancing preparatory, processing and cut stitch pack equipment.
- Trident had in fiscal 2015 expanded its towels capacity to 90,000 tonne per annum from 42,000 tonne per annum. This operated at 40% utilization in FY16 which could rise to 55-60% over FY17-FY18.
- Trident commissioned a new yarn unit (integrated with bed sheet project for captive consumption) in FY16. In FY17, this unit is expected to operate at 70-80% utilisation (against 30-40% utilisation of bed linen capacity), generating a surplus for merchant sales.
- Company has revisited its Capex plan of Yarn Modernization Project (Rs 103.9 crore) and Captive Power Project (Rs 393 crore for 60 MW) at its facility in Budni, Madhya Pradesh. Going forward, based on free cash flow generation, the Board may evaluate a Captive Power Plant at its Budni Facility in smaller phases.
- Trident plans to enhance its capacity allocation in B2C paper in FY17, generating 15-20% volume growth of copier paper.

We expect more than 26% revenue growth in FY17E, and 18.4% and 15.7% in FY18E and FY19E respectively. Further Trident will have the opportunity to cross-sell its bed linen to existing customers. New client additions and an enhanced global footprint are expected to improve the capacity utilization of towels to 60%+ by FY19 from the current 40-45%. The capacity utilization of bed sheet segment is expected to ramp up smartly to 60% by FY19.

Revenue (Cr) and Revenue growth (%)



(Source: Company, HDFC sec)

Could be possible beneficiary of fresh large order wins post termination of Welspun contract by Target Corp:

The U.S. retail giant Target Corp. is expected to shift some orders to Trident Ltd. after it terminated \$90 million of business with rival supplier Welspun India Ltd. for labeling cheaper bed sheets as premium Egyptian cotton. Trident, based in the northern state of Punjab, currently supplies terry towels to Target and is one of the few Indian companies with the capacity to produce more bedsheets. In fact, Target is Welspun India's biggest customer after Bed Bath and beyond. It accounted for about \$90 million, or 10 percent of the company's total business in the financial year through March 2016.

Over the years, Trident has built and developed long standing relationships with the leading global retailers including Target Corp, and in the normal course of business. The latest development comes in the wake of the US-based retailer announcing its decision to terminate business with Welspun India for passing off cheap bed sheets as premium Egyptian cotton. Post termination of Welspun contract Trident could be a key beneficiary of Target deal going forward. Apart from this, company has maintained sound relations with clients by providing quality products over the periods.

Received environment clearance for expansion of its paper mill could help to grow its paper business going forward:

Trident has received environment clearance for expansion of its paper mill with improved technology and energy efficiency in Punjab's Barnala district, entailing a cost of Rs 440 crore. Company has proposed up gradation of paper machines to increase production of paper from 1,35,000 tonnes per annum (TPA) to 2,10,000 TPA and increase captive co-generation plant from 45.9 MW to 90.9 MW.

Expert Appraisal Committee (EAC), the Environment Ministry has given environment clearance to the Trident Ltd for its paper mill expansion project. The clearance to the project has been given subject to certain conditions. No additional land would be required and the company is likely to employ ~100 people.

Post FY14, there has been stagnant demand of paper and paper products. Now, demand-supply situation has been improving in the writing and printing segment. This has helped ease pricing pressure which was earlier prevalent as a result of adverse demand-supply situation, given significant capex between FY10-FY14. We expect company could add its revenue in paper business going forward. Initially this may be done by debottlenecking of its existing capacity (upto 15% additional capacity possible) and later putting up the additional capacity.

Paper industry is currently undergoing better times with robust demand growth, lower raw material and production costs, increase in realization, lower impact of cheap imports and shorter plantation cycles. In such a scenario, Trident will be able to perform even better as is apparent from its performance in 9MFY17 wherein its PBIT margins in paper and chemicals business improved to 27.5% from 19.5% a year ago.

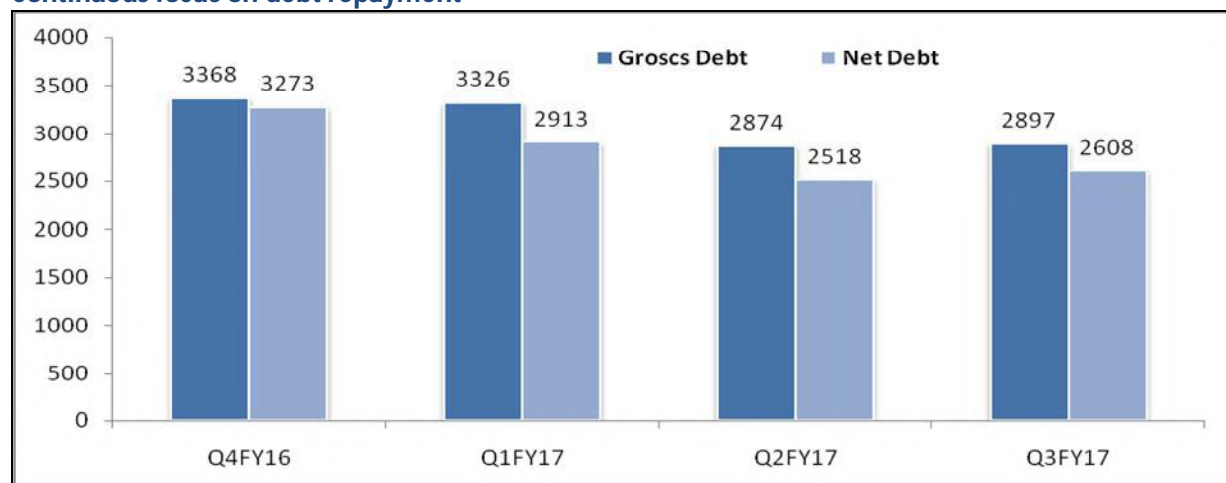
Plans to cut interest cost by reducing its long term debt going forward:

As on 31st Dec 2016, Trident gross debt stood at Rs 2897cr (vs Rs.3368 cr in Mar 2016). Company plans to repay its debt of Rs 80-100 cr in Q4FY17 and Rs 300-400 cr in FY18E. More than 70% of long-term debt carries lower interest rates as it is covered under the TUF scheme. The management expects to repay the high cost term debt ahead of their repayment schedule. This will not only strengthen the balance sheet but also help reduce the overall interest costs. We expect the consolidated debt to

reduce to Rs ~2,450 cr by FY18 and Rs ~2200 cr by FY19, while finance costs are expected to fall to Rs 122 cr by FY18 and Rs 110.5 cr by FY19 from Rs 136 cr reported in FY16.

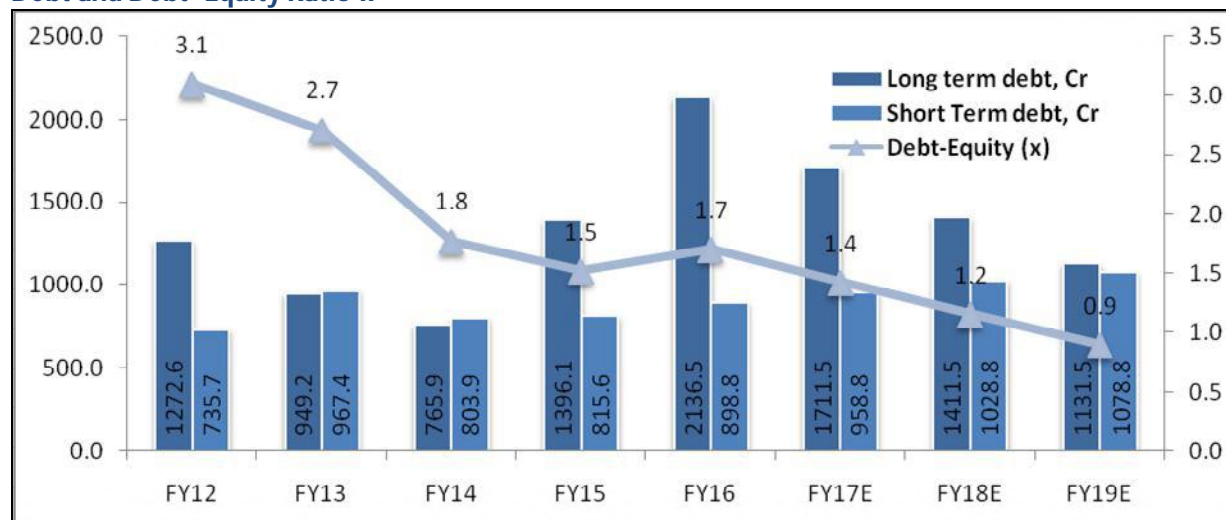
The recent introduction of 3% interest subvention on working capital loans for exporters will ensure lower interest outgo, thus improving the interest cover.

Continuous focus on debt repayment



(Source: Company, HDFC sec)

Debt and Debt-Equity Ratio-x



(Source: Company, HDFC sec)

With sound financials, company is on track to significantly improve return ratios:

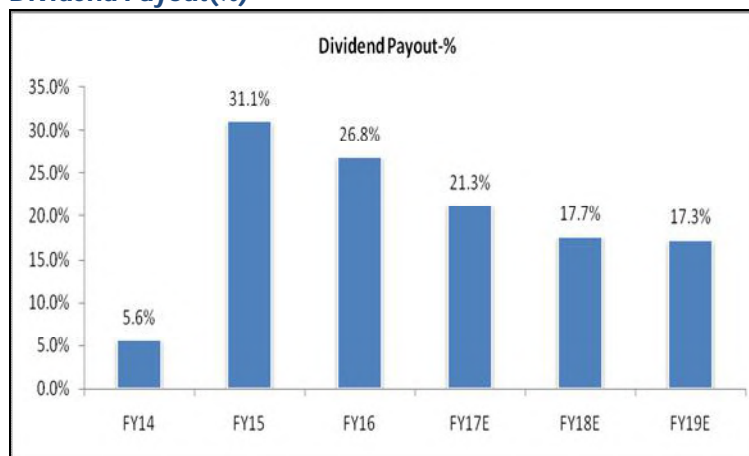
Trident has registered 2% (YoY) revenue de-growth in FY16 to Rs 3684 cr. However EBITDA gained 8.8% (YoY) to Rs 718.9 cr on the back of a 190 bps improvement in margins. PAT jumped 94.4% YoY to Rs 229.1 cr in FY16 from 118 cr in FY15. Debt to Equity has declined from 3.1x of FY12 to 1.7x in FY16.

Total debtors as of March 31, 2016 stood at Rs 177 crore (4.8% of sales) against Rs 203 crore (5.4% of sales) of March 31, 2015. Debtors Sales Outstanding (DSO) decreased from 20 days to 18 days in FY16. Company reported 26.1% (YoY) revenue growth to Rs 3418 cr in 9MFY17 and PAT growth by 36.7% to Rs 237.7cr in 9MFY17.

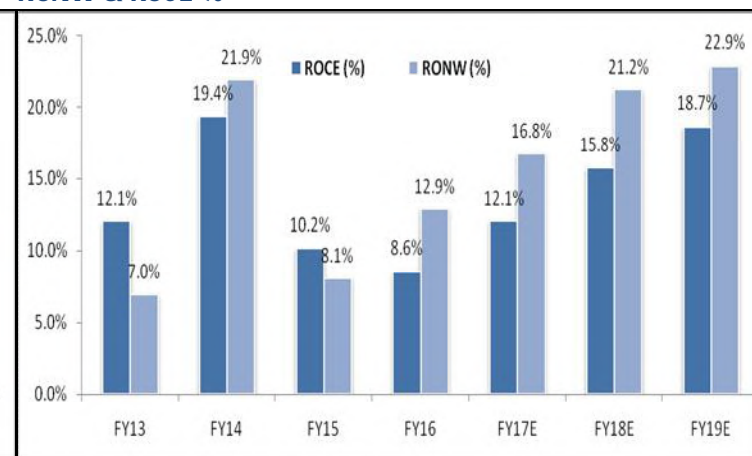
We expect worst days seem to be over, as company had reported revenue de-growth in FY15 as well as FY16. Trident witnessed soft input cost scenario and improving realization led by domestic demand and export opportunities. Return ratios are on the way of recovery and are likely to register decent growth going forward.

Trident has good track record to pay dividend to its share holders since FY14. We expect Trident could pay dividend Rs 1.30 and Rs 1.60 per share in FY17E and FY18E respectively.

Dividend Payout(%)



RoNW & RoCE-%



(Source: Company, HDFC sec)

Risk and Concerns:

Currency fluctuation risk:

The Company exports home textiles and wheat straw-based/eco-friendly paper and some varieties of yarn to 100 countries globally, hence always subject to the risk of foreign currency fluctuations. However in a scenario of depreciating Rupee, Trident could benefit as 58% of its total sales comes from exports, while imports amount to just Rs.24.67 cr in FY16 and foreign currency loans amount to Rs. ~90 cr (USD 13.7mn) in FY16.

Economic slowdown:

Trident exports business contributes 58% of overall sales as on 31st March 2016 and company has global presence across 100 countries for all segments of business. Any slow down or macro uncertainty across these geographies could hit its business. However, company has balanced earnings between overseas and domestic market.

Shortage of Raw material and/or fluctuations in its prices:

Company largely depends on agriculture based raw material like cotton and Wheat husk and buys from local markets. Availability and price of raw materials depends on condition of climate. Shortage of raw material and higher price could impact its profitability.

Competition:

China and other ASEAN nations are major threat for Trident; these competitors provide products at cheaper price. It could impact Trident growth and future outlook.

High working capital requirements

The company's operations are subject to high working capital requirements. Inability to obtain and/or maintain sufficient cash flow, credit facilities and other sources of funding, in a timely manner, could adversely affect operations, financial condition and profitability.

Environmental norms/regulations:

Paper industry consumes significant amount natural resources and releases wasteful chemicals. Proper wastes and chemical recovery management are critical for environmental certification standpoint. Further changes in environmental related compliance may increase overall cost and business competitiveness.

Change in Interest rate:

Interest rate risk resulting from changes in prevailing market rates can cause an impact on the financials of the Company.

Risks related to stabilization and ramp-up of utilization of its recently commissioned sizeable bed-linen capacity.**View and Valuation:**

The home textile business growth (out of the capex incurred over FY14-FY16) combined with steady contributions from the paper and yarn segments will lead to a healthy revenue and profit growth over FY16-FY19. The benefits of increasing scale of operations, highly integrated manufacturing process in both home textiles and paper, and continued access to low-cost raw material for paper division will ensure healthy and sustained operating profitability in the medium term.

Trident's financial risk profile will improve significantly over the medium term given the absence of major debt-funded capital expenditure (capex), progressive retirement of debt and improvement in liquidity. Its credit rating was revised upwards by CARE and CRISIL in Oct 2016 to 'A'.

We feel investors could buy the stock at the CMP and add on dips to Rs. 60-63 band (~7.0x FY18E EPS or 5.1x FY18 EV/EBITDA) for sequential targets of Rs 79 (9.0x FY18E EPS or 6.0x FY18E EV/EBITDA) and Rs 88 (10.0x FY18E EPS or 6.4x EV/EBITDA FY18E). At the CMP of Rs 67.8 the stock trades at 7.7x FY18E EPS or 5.4x FY18 EV/EBITDA.

Quarterly Financials – Standalone

Particulars, Rs in Cr	Q3FY17	Q3FY16	YoY-%	Q2FY17	QoQ-%	9MFY17	9MFY16	YoY-%
Net Sales	1122.3	888.1	26.4%	1147.8	-2.2%	3418.3	2710.1	26.1%
Other Operating Income	3.4	9.7	-65.2%	21.8	-84.6%	31.9	24.3	31.4%
Total Operating Income	1125.7	897.8	25.4%	1169.6	-3.7%	3450.2	2734.4	26.2%
Raw Material Consumed	548.9	415.5	32.1%	533.1	3.0%	1626.9	1270.5	28.1%
Stock Adjustment	-15.8	11.1	-243.0%	18.0	-188.0%	5.0	4.9	3.5%
Purchase of Finished Goods	3.4	2.6	32.1%	1.3	166.4%	6.4	11.1	-42.7%
Employee Expenses	144.7	104.9	37.9%	146.2	-1.0%	425.4	309.3	37.5%
Other Expenses	218.6	190.9	14.5%	236.1	-7.4%	683.8	592.9	15.3%
Total Expenditure	899.7	724.9	24.1%	934.6	-3.7%	2747.5	2188.6	25.5%
EBITDA	226.0	172.8	30.8%	234.9	-3.8%	702.7	545.8	28.8%
Depreciation	103.5	81.3	27.3%	104.5	-0.9%	311.4	244.3	27.5%
EBIT	122.5	91.5	33.8%	130.5	-6.1%	391.3	301.5	29.8%
Other Income	7.1	3.7	89.0%	9.3	-24.0%	22.2	7.5	198.1%
Interest	27.6	23.0	20.0%	34.8	-20.5%	104.3	104.6	-0.3%
Profit Before Tax	101.9	72.2	41.1%	105.0	-2.9%	309.3	204.3	51.4%
Tax Paid	23.6	11.2	110.8%	25.0	-5.4%	72.2	30.8	134.1%
PAT Reported	78.3	61.0	28.3%	80.1	-2.2%	237.1	173.5	36.7%
Adjusted Profit After Extra-ord-item	78.3	61.0	28.3%	80.1	-2.2%	237.1	173.5	36.7%
EPS (Adj) (Unit Curr.)	1.5	1.2	30.5%	1.6	-3.1%	4.7	3.5	36.4%

(Source: Company, HDFC sec)

Segment-wise Revenue

Particulars, Rs in cr	Q4FY15	Q1FY16	Q2FY16	Q3FY16	Q4FY16	Q1FY17	Q2FY17	Q3FY17
Revenue								
Paper & Chemicals	213.4	202.6	213.2	201.0	219.3	207.0	218.9	223.3
Others	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.0
Textiles	763.5	683.5	759.7	704.1	755.3	959.4	963.0	915.5
Revenue from Operations	977.2	886.2	973.0	905.1	974.6	1166.5	1181.9	1138.9
EBIT								
Paper & Chemicals	37.9	43.1	37.6	39.2	45.5	58.6	56.4	63.4
Others	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Textiles	91.0	85.1	70.4	74.8	82.0	105.4	102.1	83.1
Profit/Loss Before Interest and Tax	128.8	128.1	107.9	113.8	127.3	163.8	158.3	146.3
Capital Employed								
Paper & Chemicals	380.9	378.5	350.4	293.9	301.4	272.6	257.7	274.0

Others	96.8	97.2	96.7	96.2	96.6	95.2	93.9	93.7
Textiles	3519.3	3683.7	4021.7	4185.1.7	4569.9	4298.3	3949.8	4083.3
Capital Employed in Segment	3996.9	4159.4	4468.8	4575.3	4967.8	4666.1	4301.4	4451.0

(Source: Company, HDFC sec)

Financials – Consolidated

Income Statement

Particulars, Rs in Cr	FY15	FY16	FY17E	FY18E	FY19E
Revenue from operations	3755.3	3684.0	4655.5	5514.2	6379.5
Cost of material consumed	1971.2	1726.3	2225.3	2682.7	3148.3
Purchase of stock in trade	53.3	14.7	11.6	16.5	22.3
Changes in inventories	-93.7	-6.8	7.0	11.0	15.9
Employee benefits exp	387.2	433.5	568.0	661.7	752.8
Other expense	776.6	797.4	907.8	1067.0	1240.8
Total Expenditure	3094.6	2965.1	3719.8	4438.9	5180.1
EBITDA	660.8	718.9	935.8	1075.3	1199.3
Depr and amort- exp	321.3	337.6	416.0	388.8	360.7
EBIT	339.5	381.3	519.8	686.5	838.7
Other income	34.5	31.7	30.3	33.1	35.1
Finance costs	206.0	136.4	136.2	122.0	110.5
Earning before tax	168.0	276.6	413.9	597.5	763.2
Tax Paid	50.1	48.6	99.3	149.4	198.4
PAT	117.9	228.0	314.5	448.2	564.8
Share in profit of ass-	0.0	1.1	1.3	1.4	1.6
PAT Adjusted	117.9	229.1	315.8	449.6	566.4
EPS	2.3	4.0	6.2	8.8	11.1

Cash Flow

Particulars, Rs in Cr	FY15	FY16	FY17E	FY18E	FY19E
EBT	168.0	276.6	413.9	597.5	763.2
Depreciation and Amort-	321.3	337.6	416.0	388.8	360.7
Interest /Dividend paid	206.0	136.4	136.2	122.0	110.5
Other Adjustment	-18.8	-19.4	25.5	-40.0	15.3
(Inc)/Dec in working Capital	-97.7	-142.4	-146.2	-322.5	-300.9
Tax Paid	-34.7	-60.0	-99.3	-149.4	-198.4
CF from Operating Activities	544.1	528.8	745.9	596.4	750.4
Capital expenditure	-181.6	-1123.3	-45.0	-60.0	-80.0
(Purchase)/Sale of Invest	19.2	-25.0	14.4	-31.4	-126.9
Others	19.4	-51.9	46.1	-61.9	-80.2
CF from Investing Activities	-142.9	-1200.1	15.5	-153.3	-287.0
Inc/(Dec) in Share capital	0.0	0.0	-59.8	0.0	0.0
Inc/(Dec) in Debt	-196.6	780.9	-365.0	-230.0	-230.0
Dividend and Interest Paid	-254.2	-172.7	-203.4	-201.5	-208.4
CF from Financing Activities	-450.8	608.2	-628.2	-431.5	-438.4
Net Cash Flow	-49.7	-63.1	133.2	11.6	25.0
Opening Balance	8.9	6.9	-56.2	77.0	88.6
Closing Balance	-40.8	-56.2	77.0	88.6	113.6

(Source: Company, HDFC sec)

Balance Sheet

Particulars	FY15	FY16	FY17E	FY18E	FY19E
EQUITY AND LIABILITIES					
Share capital	508.6	569.4	509.6	509.6	509.6
Reserves and surplus	946.7	1209.5	1371.4	1607.7	1959.5
Shareholders' funds	1455.4	1778.9	1880.9	2117.3	2469.0
Long term borrowings	1396.1	2136.5	1711.5	1411.5	1131.5
Deferred tax liabilities	124.2	172.7	146.8	117.4	88.1
Long term provisions	40.5	8.5	9.3	10.2	11.2

Key Ratios

Particulars	FY15	FY16	FY17E	FY18E	FY19E
No of Equity Shares-cr	50.9	56.9	51.0	51.0	51.0
Current Market Price-Rs	67.8	67.8	67.8	67.8	67.8
Enterprise Value-cr	5643.3	6813.6	6048.2	5806.6	5551.6
EPS	2.32	4.02	6.20	8.82	11.11
Cash EPS (PAT + Depr)	8.63	9.95	14.36	16.45	18.19
Book Value Per Share(Rs.)	28.61	31.24	36.91	41.55	48.45

Non-current liabilities	1560.8	2317.6	1867.6	1539.1	1230.8
Short term borrowings	815.6	898.8	958.8	1028.8	1078.8
Trade payables	219.1	221.9	255.1	271.9	297.1
Other current liab	451.7	422.8	443.9	399.5	379.5
Short term provisions	4.5	23.8	25.0	26.5	28.4
Current liabilities	1490.8	1567.2	1682.7	1726.7	1783.8
Total	4507.0	5663.7	5431.3	5383.1	5483.6
ASSETS					
Fixed assets	3063.2	3887.5	3471.5	3082.7	2722.0
Non-current investments	11.2	73.9	59.1	65.0	71.5
Long term loans and adv	172.8	190.9	152.7	183.2	229.1
Non-current assets	3269.8	4156.7	3688.0	3335.9	3027.9
Current investments	19.7	19.7	20.0	45.5	165.9
Inventories	750.8	909.2	1135.2	1299.2	1468.1
Trade receivables	203.3	176.7	255.1	332.4	384.5
Cash and bank balances	17.0	81.9	77.0	88.6	113.6
Short term loans and adv	244.3	318.1	254.5	279.9	321.9
Other current assets	2.2	1.5	1.5	1.6	1.7
Current assets	1237.2	1507.1	1743.3	2047.3	2455.8
Total	4507.0	5663.7	5431.3	5383.1	5483.6

PE(x)	29.26	16.85	10.94	7.68	6.10
P/BV (x)	2.37	2.17	1.84	1.63	1.40
Mcap/Sales(x)	0.92	1.05	0.74	0.63	0.54
EV/EBITDA	8.54	9.48	6.46	5.40	4.63
EBITDAM (%)	17.6%	19.5%	20.1%	19.5%	18.8%
EBITM (%)	9.0%	10.4%	11.2%	12.4%	13.1%
PATM (%)	3.1%	6.2%	6.8%	8.2%	8.9%
ROCE (%)	10.2%	8.6%	12.1%	15.8%	18.7%
RONW (%)	8.1%	12.9%	16.8%	21.2%	22.9%
Dividend Payout(%)	31.1%	26.8%	21.3%	17.7%	17.3%
Current Ratio	0.83	0.96	1.04	1.19	1.38
Liquid Ratio	0.33	0.38	0.36	0.43	0.55
Debt-Equity	1.52	1.71	1.42	1.15	0.90

(Source: Company, HDFC sec)

One Year forward P/E

One Year Price Chart


(Source: Company, HDFC sec)

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