



Sector: Textiles

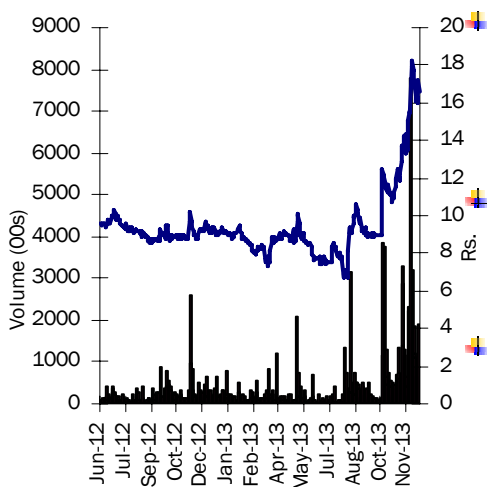
Recommendation: Not Rated

CMP: Rs. 17.15

MARKET DATA	Rs.
CMP	17.15
52 Week High	19.50
52 Week Low	6.08
EPS (TTM)	5.27
P/E	3.25
Mkt. Cap. (Cr)	533
CODES	
BSE	521064
NSE	TRIDENT
Shareholding Pattern	(%)
Promoter	55.31
FII	0
DII	2.57
Others	42.12

Sources: BSE

Price Graph



Source: BSE

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We recently met the Management of Trident Ltd. Following are the key take-aways from management meet:

There is a positive traction in the domestic textile segment given improving textile and apparel demand from large markets combined with benefits accruing from depreciating rupee and structural changes in competing markets like China. This is resulting in improved performance and stronger order book visibility for Indian exporters in general and Trident in specific. India's competitiveness has also benefitted from the appreciation of Chinese Yuan against USD vis-à-vis rupee depreciation against USD and rising labour cost in China. Large international buyers have also diverted orders to India from Bangladesh on account of wage protest.

Company operates in three segments: Yarn, Terry Towel and Paper. Company's yarn segment is focused on value added and multiple blends yarns, where Value-added products currently contribute 37% to yarn revenues in FY2013.

Terry Towel Segment: Trident is among the top five towel manufacturers in the world and one of the largest exporters from India. Company's customers profile includes JC Penney, Ralph Lauren, IKEA, Target and Wal-Mart etc. With a total of 388 looms Trident manufactures about 15 million pieces of towels per month in FY2013.

Paper Segment: Company is also having its presence in paper manufacturing and is having world's biggest wheat straw based Mill with "METSO Continuous Digester". Companies total capacity in paper stands at 450 TPD, which is sold across 35 countries including India, USA, UK, Canada, Middle East and fast growing African countries amongst others.

New Development: Trident Limited is merging its associate company Trident Corporation Limited (TCL) to leverage the synergies arising both in terms of revenues as well as costs and committed to additional capex of ~1650 crore in next few years in TCL.

Capex: Trident Limited is undergoing a capex of Rs. 1667 cr. by FY16E. The capex is for composite textile project comprising of 2 spinning units at Rs. 809 cr and Bed sheeting unit for Rs. 858 cr. It has already infused Rs. 110 cr in current fiscal and further Rs. 800 cr will be infused for addition of 1.76 lacs spindles and Rs. 300 for sheeting segment next year. The capex in TCL comprises of Rs. 1191 Cr in Terry towels segments, Rs. 60 cr in yarn and Rs. 393 cr for power project.

H1FY13 Results update: For first half of FY14, revenues were higher by 15% at Rs. 1,873 crore. EBITDA margin enhanced from 15.4% to 21.7% at Rs. 405 crore. PAT improved 49x to Rs. 117 crore from Rs. 2.4 crore in the corresponding period of last year translating to non-annualized EPS of Rs. 3.76 per share. Cash profit stood at Rs. 254 crore.

Figure: Key Financial Figures					
Year End (Rs. in Cr)	FY2009	FY2010	FY2011	FY2012	FY2013
Net Sales	1,406	1,819	2,551	2,752	3,358
EBIDTA	116	372	411	320	578
Margin %	8.28%	20.46%	16.13%	11.64%	17.21%
Net Profit	-53	56	67	-44	49
Margin %	-3.77%	3.10%	2.63%	-1.59%	1.47%
EPS Rs. Per share	-2.64	2.54	3.02	-1.59	1.60

Source: BSE and Capitaline, Wallfort Research



Company Background:

Trident Ltd (formerly known as Abhishek Industries Ltd) is integrated, dynamic and continuously growing textile company. Trident Limited is a leading manufacturer of Terry Towels, Yarn, Paper and Chemicals. Trident Limited is one among the top 5 global terry towel giants of the world and one of the world's largest agro-based paper manufacturers in India. With businesses spanning across more than 75 countries, Trident Group is a USD 1 billion enterprise with an employee headcount of more than 10,000, and providing indirect employment to 20,000 people.

Product Profile:

Yarn:

Yarn is the biggest segment contributing ~50% revenue to the company of which ~25% is coming from exports. The company entered in yarn segment with production of 12 tons a day 2 decade before and in FY2013 it has expanded its production capacity to 265 MT/day and is serving all major segments of textile chain viz. knitting, weaving, denim and towel. It offers an exclusive range of 100% Cotton yarn, Blended yarn and variety of Value-added yarn to Indian and International Textile Markets.

Company plant is spread across 250 acres of land and divided into eight units, out of which five units are located at Punjab & three units at Budni (M.P) with a combined capacity of 3,65,904 grey and 3584 rotors utilizing almost 100% capacity. The company focus is on Diversifying and maximizing value-added product basket to ensure sustainability and stable margins (Value-added products currently contribute 37% to yarn revenues).

Figure: Yarn segment						
Particulars	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
Revenue	438	461	619	1130	1168	1684
EBIT	33	6	36	131	-5	134
Exports	8%	10%	17%	27%	26%	27%
Exports Value	35	46	105	305	304	455
Source: Company, Wallfort Research						

Terry Towel:

Trident started its Home Textile operations in 1999 with the commissioning of its first Terry Towel Operation with 68 looms. With 2 major expansions done in the year 2004 and 2009, the current installed capacity stands at 14.5 million pieces of towels per month or the total no. of looms under operations are 388. The product & customer portfolio has also enlarged with time & today Trident supplies to almost all major terry towel markets in the world.

The plant is spread across about 300 acres of land with state-of-the-art technology sourced from Japan, Switzerland, Germany, Belgium & Italy. Trident is amongst the top 5 terry towel manufacturing facilities in the world in terms of its capacity & technology. The complete process - from yarn manufacturing, to weaving, to dyeing & final packing - is done in house. The Company have a vertically integrated set-up with stringent quality controls at all levels. The company has patented technologies for superior quality Air Rich™ towels for better functionality and aesthetics and is associated with top brands and marquee clientele viz. Zara, Ralph Lauren, Calvin Klein among others.



Figure: Terry Towels segment						
Particulars	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
Revenue	609	759	848	1107	1274	1269
EBIT	58	-10	150	85	129	119
Exports	92%	92%	92%	91%	84%	85%
Exports Value	560	698	780	1007	1070	1079
Source: Company, Wallfort Research						

Paper Division:

The Paper segment produces both writing and printing grades of paper for the domestic and international markets. Trident Paper is manufactured using the wheat straw as prime raw material and companies focus is on producing different grades of premium & eco-friendly paper to meet the increasing demands of the printing industry. One of the Biggest Mill in the world based on Wheat Straw with "METSO Continuous Digester". Companies total capacity in paper stands at 450 TPD, which is sold across 35 countries including India, USA, UK, Canada, Middle East and fast growing African countries amongst others.

During the Q2FY2014, Trident Ltd had increased its capacities in copier segment to 7,500 MT per month and going forward the management have planned to increase the capacity allocation to branded copier segment to around 10,000 MT per month. This has resulted in improved average realizations from Rs. 47,800 per ton to Rs. 51,600 per ton.

Figure: Paper segment						
Particulars	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
Revenue	176	305	495	605	653	725
EBIT	22	33	21	31	30	105
Exports	6%	6%	6%	19%	11%	10%
Exports Value	11	18	30	115	72	73
Source: Company, Wallfort Research						

Chemical Division:

Trident Chemicals (Part of Paper Division of Trident Limited) is the largest manufacturer of Sulphur based Sulphuric Acid in the Northern Region of India producing 275 MT Sulphuric Acid per day , with market share of more than 70% in Punjab. The Sulphuric acid plant was set up in 1985 with initial production capacity of 33000 TPA, which was increased to 100,000 TPA in 1997. Further in 2010 updated the state of the art technology plant imported from QVF Germany and introduced new product Sulphuric Acid LR & AR with the production capacity of 33 TPD.

New Developments:

The board of directors of Trident Limited and Trident Corporation Limited, an associate of Trident Limited, in their respective meetings of the board held on October 9, 2013 approved the proposal to merge Trident Corporation Limited into Trident Limited, the appointed date of which is April 1, 2014.

Based on the valuation report done by BSR & Associates, Trident Limited shall issue and allot 16 equity shares of Rs. 10 each fully paid at a premium of Rs. 18.61 per share for every 25 equity shares of Rs. 10 each fully paid up in Trident Corporation Limited. The management is confident to bring operational synergies and efficiencies with this merger and will leverage it's strengthen as one of the leading integrated textile players in the sector in the country.



Business	Operation	
	Existing	Post merger and ongoing expansions
Yarn	365904 spindles	~ 6 Lac spindles
	3584 Rotors	5500 Rotors
Dyed Yarn	6825 TPA	6826 TPA
Terry Towels	388 Looms	~700 Looms
Sheeting	---	
Paper	175000 TPA	~ 200000 TPA
Sulphuric Acid	100000 TPA	100000 TPA
Energy - Captive Power	50 MW	~ 130 MW

Sources: Company Wallfort Research

CSR Initiatives and Awards:

Trident is commitment to the development of weaker sections of society and takes initiative to contribute to harmonious and sustainable development of society and the earth through all business activities. The company provide opportunities to learn, earn and grow to more than 10000 members of 10th, 10+2 and ITI'S through its centre for Excellence, Takshashila. Other good initiative is Asmita: Empowering Women, where employment is provide to more than 3000 women. The company also provides accommodation for 1200 plus female members within the campus and is the first company to start Night shift for Female in North India.

Apart from being the proud recipient of ICSI National Award for Excellence in Corporate Governance in 2006, Trident Limited has been continuously lauded with the prestigious 'International Supplier of the Year' award for 2001, 2003, 2005 and 2006 by Wal-Mart, USA, JCP Home Quality Award-Best Supplier of the Year, 2006 & 2009, JC Penney Innovation Award for the year 2010; IKEA TASA 'Best Supplier of the year' Quality Award; IKEA Sustainability (Trading Area- South Asia) Award for the year 2009 and 2010 respectively and Texprocil Export Performance Awards.

Esteem Clients:

- 9 out of 10 top Retailers in USA
- 6 leading Retailers in Europe and UK
- 5 out of 7 major Retailers in ANZ
- Mix of Specialty home stores, Departmental stores & Mass merchandisers
- Suppliers to domestic institutions including Hotel Taj, Lakme, etc.





Financial Figures					Ratio Analysis				
Income Statement (Rs. In Cr)					Ratio Analysis				
Date End	FY2010	FY2011	FY2012	FY2013	Category	FY2010	FY2011	FY2012	FY2013
Revenue	1,807	2,550	2,752	3,357	Margin Ratio				
Other Income	11	1	1	1	EBDITA Margin	20.46%	16.13%	11.64%	17.21%
Total Income	1,819	2,551	2,752	3,358	Net Profit Margin	3.10%	2.63%	-1.59%	1.47%
Expenditure	-1,447	-2,140	-2,432	-2,780	Profitability Ratios				
Interest	-105	-126	-172	-235	ROCE (%)	9.03%	8.79%	3.82%	10.58%
PBDT	267	285	148	343	RONW (%)	11.22%	12.63%	-6.74%	6.99%
Depreciation	-174	-195	-208	-261	DuPont Analysis				
PBT	93	90	-59	81	NP / PBT (X)	0.61	0.77	0.74	0.61
Tax	-37	-23	15	-32	PBT / EBIT (X)	0.46	0.38	-0.52	0.26
Net Profit	56	67	-44	49	EBIT / Sales (X)	0.11	0.08	0.04	0.09
Equity	222	222	306	311	Sales / Assets (X)	0.86	1.08	1.01	1.13
EPS	--	3.02	-1.59	1.60	Assets / Equity (X)	4.44	4.51	4.56	4.34
					ROE (X)	0.12	0.12	-0.07	0.07
Balance Sheet					Leverage Ratios				
Date End	FY2010	FY2011	FY2012	FY2013	Debt-Equity Ratio	3.44	3.51	3.55	3.33
Share Capital	222	222	306	311	Long term Debt-Equity Ratio	2.48	2.01	1.82	1.64
Reserves	281	309	343	395	Turnover Ratios				
Networth	503	531	649	706	Fixed Assts	0.82	1.03	0.93	1
Secured Loans	1700	1918	2284	2240	Liquidity Ratios				
Unsecured Loans	11	0	0	0	Current Ratio	0.84	0.81	0.73	0.7
Total Loan	1711	1918	2284	2240					
Net Deferred Tax	68	91	76	107					
Total Liabilities.	2282	2540	3009	3053					
Gross Block	2339	2583	3332	3406					
Depreciation	797	989	1184	1437					
Net Block	1542	1593	2148	1968					
Capital WIP	176	63	6	28					
Total Fixed Assets	1718	1656	2154	1996					
Investment	36	45	56	64					
Inventory	399	679	520	691					
Sundry Debtors	93	199	192	232					
Cash & Bank Bal	27	7	23	33					
Loan and Adv. Other current assets	189	157	206	147					
	1	80	112	120					
Current Assets	709	1122	1053	1223					
Liabilities	169	242	252	227					
Provision	12	41	2	3					
Current Liability	181	283	254	230					
Net Current Assets	528	839	799	993					
Total Assets	2282	2540	3009	3053					
Source: BSE and Capitaline, Wallfort Research									



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