

Trident Ltd.: Q1FY18 Result Update

In Line Performance

CMP INR 76

Target INR 118

Rating: BUY

Upside: 51%

Trident has delivered a revenue growth of 2% and a slight fall in margins. However PAT has improved 14% due to lower finance costs. This performance is inline with the management guidance of a muted H1FY18 followed by a stronger H2FY18. Trident's disclosures have also improved with the company sharing the segmental split between paper and home textiles. So while the home textile industry continues to face slight headwinds in the form of twin challenger from cotton and currency, paper continues to outperform. However cotton prices have already started coming off and therefore we also believe Trident can deliver a stronger H2FY18. We believe that improving financial metrics and cheap valuation provide high margin of safety and re-iterate "BUY" with a price target of Rs INR 118.

Muted performance from home textiles

Home Textiles revenues grew 3% in this quarter from INR 1,171 Cr in Q1FY17 to INR 1,210 Cr in Q1FY18 led by higher utilization in bed sheets which increased from 29% in FY17 to 36% in Q1FY18. Terry towel and yarn utilization also improved from 50% in FY17 to 51% in Q1FY18 and 93% in FY17 to 95% in Q1FY18 respectively. While bed sheet volumes grew 36% y-o-y, towel volumes degrew 7% y-o-y on account of higher base. The other pain point was the domestic business (15% of home textile revenues) which witnessed subdued growth due to transition phase of GST. Overall, EBITDA declined by 7% to INR 164 crore in Q1FY18 vs. INR 176 crore in Q1FY17 while margins fell from 18% to 16.5% due to higher cotton costs and rupee appreciation.

Paper continues to outperform

Although paper utilization fell from 89% in FY17 to 83% in Q1FY18, this division still clocked a topline growth of 3% to INR 214 crore in Q1FY18 from INR 207 crore in Q1FY17 as the share of the higher margin copier paper was sustained at above 50%. This also resulted in an increase in EBITDA by 33% to INR 95 crore in Q1FY18 from INR 71 crore in Q1FY17. EBITDA margins in the paper segment were at an all time high of 44% aided by lower raw material costs. We expect these margins to reduce going forward to around 36-38%.

H2FY18 to be better; Debt repayment on track

Cotton prices have already started coming off which will aid in improving margins going forward and we are thus expecting a strong H2FY18 for Trident in the home textiles segment. Growth will also be driven by domestic sales in the ensuing quarters due to its brand presence in 450 Multi Brand Outlets and e-commerce. Company has repaid debt of INR 227 Cr in Q1FY18 and thus long term debt stands at INR 1,821 Cr now. This debt repayment has helped reduced interest outgo which thus resulted in a PAT growth of 14% inspite of a flat EBITDA.

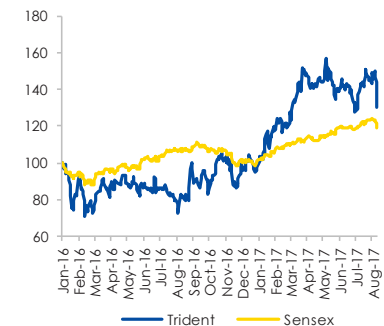
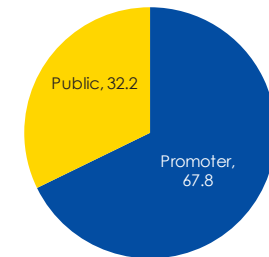
Outlook and Valuations – Positive; Re-iterate BUY

While top line growth will be muted due to higher captive yarn consumption, the bottom line can catapult 30% over FY17-19E as operating and financial leverage play out. At an inexpensive valuation of 7x FY19E P/E, increasing RoCE (from 8% in FY16 to 15% plus in FY19E) and the ability to generate free cash flows in excess of INR600cr every year provides a high margin of safety. We value Trident at 11x FY19E P/E and re-iterate our Buy rating.

Year to March	Q1FY18	Q1FY17	% change	Q4FY17	% change	FY17	FY18E	FY19E
Net sales (INR cr)	1181	1159	2%	1281	-8%	4,693	4,861	5,283
Growth (%)						27	4	9
EBITDA (INR cr)	230	235	-2%	213	8%	888	1,008	1,164
Adj PAT (INR cr)	89	78	14%	92	-3%	342	430	550
Growth (%)						45	30	28
Dil. EPS (INR)						6.5	8.4	10.8
Diluted P/E (x)						11.2	8.6	6.8
EV/EBITDA (x)						7.2	5.7	4.4
ROAE (%)						18.6	20.7	22.4

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Bloomberg:	TRID:IN
52-week range (INR):	92/ 45
Share in issue (cr):	5.1
M cap (INR cr):	3,832
Avg. Daily Vol.	200
BSE/NSE :('000):	

Date: 14th August 2017

Q1FY18 Result Highlights

Particulars	Q1FY18	Q1FY17	% change	Q4FY17	% change	FY17	FY18E	FY19E
Income from operations	1181	1159	2%	1281	-8%	4,693	4,861	5,283
Cost of goods sold	552	549	1%	653	-15%	2,689	2,747	2,969
Employee expenses	148	135	10%	151	-2%	552	572	622
Other expenses	251	240	5%	264	-5%	1,115	1,107	1,150
Total operating expenses	951	924	3%	1,068	-11%	3,805	3,853	4,119
EBITDA	230	235	-2%	213	8%	888	1,008	1,164
Depreciation and amortization	102	103	-1%	101	1%	412	407	401
EBIT	128	132	-3%	112	14%	477	601	763
Interest expenses	33	43	-23%	32	3%	143	122	109
Other income	29	13	123%	49	-41%	110	80	60
PBT	124	102	22%	129	-4%	444	558	714
Provision for tax	35	24	46%	29	21%	102	128	164
Core profit	89	78	14%	100	-11%	342	430	550
Extraordinary items	0	0	NA	0	NA	-10	0	0
Adjusted net profit	89	78	14%	100	-11%	332	430	550
No. of shares (Cr)						51	51	51
Diluted EPS (INR)						6.5	8.4	10.8

Financials

Income statement (Standalone)						Balance sheet (Standalone)						Ratios					
(INR Cr)						(INR Cr)											
Year to March	FY15	FY16	FY17	FY18E	FY19E	As on 31st March	FY15	FY16	FY17E	FY18E	FY19E	Year to March	FY15	FY16	FY17	FY18E	FY19E
Income from operations	3,755	3,684	4,693	4,861	5,283	Equity share capital	509	449	449	449	449	ROAE (%)	10.1	14.7	18.6	20.7	22.4
Direct costs	2,253	2,058	2,689	2,747	2,969	Preference Share Capital	0	60	60	60	60	ROACE (%)	9.6	8.1	9.3	12.1	15.1
Employee costs	387	434	552	572	622	Reserves & surplus	947	1,210	1,465	1,796	2,220	Debtors (days)	20	18	25	22	22
Other expenses	841	907	1,115	1,107	1,150	Shareholders funds	1,455	1,719	1,914	2,245	2,669	Current ratio	4.0	4.4	6.1	5.7	6.7
Total operating expenses	3,095	2,965	3,805	3,853	4,119	Secured loans	2,580	3,368	0	0	0	Debt/Equity	1.8	2.0	1.5	1.1	0.8
EBITDA	661	719	888	1,008	1,164	Borrowings	2,580	3,368	2,868	2,468	2,268	Inventory (days)	73	90	60	70	70
Depreciation and amortisation	321	338	412	407	401	Sources of funds	4,035	5,147	4,842	4,773	4,997	Payable (days)	29	31	20	25	25
EBIT	339	381	477	601	763	Gross block	4,869	6,163	6,213	6,313	6,413	Cash conversion cycle (days)	63	77	65	67	67
Interest expenses	206	136	143	122	109	Depreciation	2,005	2,333	2,745	3,152	3,553	Debt/EBITDA	3.9	4.7	3.2	2.4	1.9
Other income	34	32	110	80	60	Net block	2,864	3,830	3,469	3,162	2,861	Adjusted debt/Equity	1.8	1.9	1.3	0.9	0.5
Profit before tax	168	277	444	558	714	Capital work in progress	222	62	0	0	0	Valuation parameters					
Provision for tax	50	49	102	128	164	Total fixed assets	3,086	3,892	3,469	3,162	2,861	Year to March	FY15	FY16	FY17	FY18E	FY19E
Core profit	118	228	342	430	550	Investments	31	94	100	100	100	Diluted EPS (INR)	2.3	4.5	6.5	8.4	10.8
Profit after tax	117	227	342	430	550	Inventories	751	909	771	932	1,013	Y-o-Y growth (%)	(62.8)	94.2	44.8	29.6	27.9
Adjusted net profit	117	229	332	430	550	Sundry debtors	203	177	321	293	318	CEPS (INR)	8.6	11.1	14.6	16.4	18.7
Equity shares outstanding (mn)	51	51	51	51	51	Cash and equivalents	17	82	228	397	809	Diluted P/E (x)	31.5	16.2	11.2	8.6	6.8
EPS (INR) basic	2.3	4.5	6.5	8.4	10.8	Loans and advances	246	320	407	422	458	Price/BV (x)	2.6	2.2	1.9	1.6	1.4
Diluted shares (Cr)	50.9	50.9	50.9	50.9	50.9	Total current assets	1,218	1,487	1,728	2,044	2,598	EV/Sales (x)	1.7	1.9	1.4	1.2	1.0
EPS (INR) fully diluted	2.3	4.5	6.5	8.4	10.8	Sundry creditors and others	302	312	257	333	362	EV/EBITDA (x)	9.5	9.7	7.2	5.7	4.4
Dividend per share	0.6	0.9	1.5	1.9	2.5	Provisions	4	24	25	26	28	Diluted shares O/S	50.9	50.9	50.9	50.9	50.9
Dividend payout (%)	24.4	19.8	23.0	23.0	23.0	Total CL & provisions	307	336	282	359	389	Basic EPS	2.3	4.5	6.5	8.4	10.8
Common size metrics- as % of net revenues						Net current assets	911	1,152	1,446	1,684	2,209	Basic PE (x)	31.5	16.2	11.2	8.6	6.8
Year to March	FY15	FY16	FY17	FY18E	FY19E	Net Deferred tax	-124	-173	-173	-173	-173	Dividend yield (%)	0.8	1.2	1.8	2.3	2.9
Operating expenses	82.4	80.5	81.1	79.3	78.0	Misc expenditure	132	182	0	0	0	Cash flow statement (INR cr)					
Depreciation	8.6	9.2	8.8	8.4	7.6	Uses of funds	4,035	5,147	4,842	4,773	4,997	Year to March	FY15	FY16	FY17E	FY18E	FY19E
Interest expenditure	5.5	3.7	3.0	2.5	2.1	Book value per share (INR)	29	34	39	45	54	Net profit	118	228	342	430	550
EBITDA margins	17.6	19.5	18.9	20.7	22.0	Cash flow statement (INR cr)						Add: Depreciation	321	338	412	407	401
Net profit margins	3.1	6.2	7.1	8.8	10.4	Year to March	FY15	FY16	FY17E	FY18E	FY19E	Add: Misc expenses written off	15	-50	182	0	0
Growth metrics (%)						Net profit	118	228	342	430	550	Add: Deferred tax	16	48	0	0	0
Year to March	FY15	FY16	FY17	FY18E	FY19E	Add: Depreciation	321	338	412	407	401	Add: Others	0	1	-10	0	0
Revenues	(2.9)	(1.9)	27.4	3.6	8.7	Add: Misc expenses written off	15	-50	182	0	0	Gross cash flow	470	566	926	837	951
EBITDA	(9.2)	8.8	23.6	13.4	15.5	Add: Deferred tax	16	48	0	0	0	Less: Changes in W. C.	114	176	148	70	113
PBT	(36.7)	64.7	60.5	25.8	27.9	Add: Others	0	1	-10	0	0	Operating cash flow	356	389	778	767	838
Net profit	(40.2)	93.4	49.9	29.6	27.9	Gross cash flow	470	566	926	837	951	Less: Capex	1,575	1,144	50	100	100
EPS	(62.8)	94.2	44.8	29.6	27.9	Less: Changes in W. C.	114	176	148	70	113	Free cash flow	-1,219	-754	728	667	738

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Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate between 5-15% over a 12-month period
Reduce	Return below 5% over a 12-month period

Trident 5 years price chart



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