



Trident reported Q1 numbers ahead of our expectations. Top line was flat YoY at Rs 11.7bn (up by 1.8%). Gross margins expanded by ~60bps YoY to 53.0% but higher employee cost led to contraction of EBITDAM by ~90bps to 19.7%. EBITDAM on home textiles dropped by 200 bps to 16% due to higher raw material cost and rupee appreciation versus USD, which was offset by a sharp rise in EBITDAM on paper from 34% to 44% due to higher sales of copier paper, lower raw material cost and better realizations. EBITDA was lower by 2.7% to Rs 2.3bn. PATM came in at 7.6%, as compared to 6.8% last year mainly due to lower interest cost as long term debt of Rs 2.27bn (of which high cost debt was Rs1.87bn) was repaid during the quarter leading to reduction in DER from 1.0x in FY17 to 0.9x in Q1FY18. The Board has approved first interim dividend of Rs 0.6/share. Sequential comparisons could be misleading due to the seasonal nature of the business.

Implementation of GST led to a subdued demand scenario in the domestic market as most retailers were de-stocking inventory but over the long term it is likely to be beneficial for organised players as the market is currently dominated by unorganised players. The key headwinds faced from April 16-June 17 were rupee appreciation (2.7%) versus USD and 20% rise in cotton prices. The average cotton price for Q1FY18 was Rs 123-126 per kg and after cotton season commences in October price is expected to soften by 5-10%.

The capacity utilisation levels for Towels, bed Linen, Yarn and Paper division in the quarter are 51%, 36%, 95% and 83% respectively. Bed Linen business volumes grew by ~36% YoY due to higher capacity utilization while terry towel volumes were lower by ~8% YoY on back of higher base last year due to spill over sales in that quarter.

We have maintained our estimates for FY18E and FY19E. We expect revenues to grow at a 2 year-CAGR of 10.5% to Rs 57,301m and profits by 25.3% to Rs 5,287m in FY19E. At the CMP, the stock is trading at 9.6x FY18E and 7.3x FY19E EPS estimates of Rs 7.9 and Rs 10.4 respectively. We maintain our BUY rating and price target of Rs 114 indicating an upside of 50% from current levels.

Key financials (Y/e March)	2016	2017	2018E	2019E
Revenues (Rs m)	36,840	46,944	51,622	57,301
Growth (%)	(1.9)	27.4	10.0	11.0
EBITDA (Rs m)	7,189	8,882	10,603	12,004
PAT (Rs m)	2,280	3,366	4,027	5,287
EPS (Rs)	4.5	6.6	7.9	10.4
Growth (%)	93.4	47.6	19.7	31.3
CEPS (Rs)	11.1	14.7	15.9	18.2
Net DPS (Rs)	0.9	1.5	1.6	2.1
Profitability & Valuation	2016	2017	2018E	2019E
EBITDA margin (%)	19.5	18.9	20.5	20.9
RoE (%)	12.9	13.8	13.1	15.6
RoCE (%)	9.6	10.0	10.6	13.4
EV / sales (x)	2.0	1.4	1.2	1.0
EV / EBITDA (x)	10.1	7.5	6.0	4.9
PE (x)	17.0	11.5	9.6	7.3
P / BV (x)	2.0	1.3	1.2	1.1
Net dividend yield (%)	1.2	2.0	2.1	2.7

Source: Company Data, PL Research

## Q1FY18 Result Update

Monday, August 14, 2017

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Rating	BUY
Price	Rs 76
Target Price	Rs 114
Implied Upside	50%
Sensex	31,449
Nifty	9,794
Bloomberg Code	TRID IN
Reuters Code	TRIE.BO

(Prices as on August 14, 2017)

### Tracking Data

Market Cap (Rs bn)	38.9
Shares O/s (m)	509.6
3M Avg. Daily Value (Rs m)	120.6

### Major Shareholders (%)

Promoters	67.8
Domestic Inst.	3.7
Public & Others	28.5

### Stock Performance

(%)	1M	6M	12M
Absolute	(9.1)	6.6	59.2
Relative	(7.3)	(3.9)	47.2

### How we differ from Consensus

EPS (Rs)	PL	Cons.	% Diff.
2018E	7.9	7.5	5.3
2019E	10.4	10.2	1.9

<b>Q1FY18 Result Overview (Rs m)</b>					
<b>Particulars</b>	<b>Q1FY18</b>	<b>Q1FY17</b>	<b>YoY gr(%).</b>	<b>Q4FY17</b>	<b>QoQ gr (%).</b>
<b>Net Revenue</b>	<b>11,684</b>	<b>11,482</b>	<b>1.8</b>	<b>12,683</b>	<b>-7.9</b>
<b>Expenditure</b>					
Raw Material Cost	5,519	5,485	0.6	6,536	-15.5
<i>% of revenue</i>	<i>47.0</i>	<i>47.6</i>		<i>51.1</i>	
Employee Cost	1,482	1,345	10.2	1,510	-1.9
<i>% of revenue</i>	<i>12.7</i>	<i>11.7</i>		<i>11.9</i>	<i>6.5</i>
Other Expense	2,385	2,292	4.1	2,507	-4.8
<i>% of revenue</i>	<i>20.4</i>	<i>20.0</i>		<i>19.8</i>	<i>3.3</i>
<b>Total Expenditure</b>	<b>9,387</b>	<b>9,121</b>	<b>2.9</b>	<b>10,552</b>	<b>-11.0</b>
<b>EBITDA</b>	<b>2,297</b>	<b>2,360</b>	<b>-2.7</b>	<b>2,131</b>	<b>7.8</b>
<i>Margin (%)</i>	<i>19.7</i>	<i>20.6</i>		<i>16.8</i>	
Depr. & Amortization	1,023	1,034	-1.1	1,010	1.3
<b>EBIT</b>	<b>1,274</b>	<b>1,326</b>	<b>-3.9</b>	<b>1,121</b>	<b>13.7</b>
Net Interest	334	427	-21.8	321	4.1
Other Income	297	121	145.1	490	-39.3
<b>Profit before Tax</b>	<b>1,237</b>	<b>1,021</b>	<b>21.2</b>	<b>1,290</b>	<b>-4.1</b>
Total Tax	348	236	47.3	293	18.6
<i>Effective tax rate (%)</i>	<i>28.1</i>	<i>23.1</i>	<i>21.5</i>	<i>22.7</i>	<i>23.6</i>
<b>Profit after Tax</b>	<b>889</b>	<b>784</b>	<b>13.4</b>	<b>997</b>	<b>-10.8</b>
<i>PAT Margin (%)</i>	<i>7.6</i>	<i>6.8</i>		<i>7.9</i>	
<b>EPS</b>	<b>1.7</b>	<b>1.5</b>	<b>13.4</b>	<b>2.0</b>	<b>-10.8</b>

Source: Company Data, Idea Research

<b>Segmental Results (Rs m)</b>					
<b>Particulars</b>	<b>Q1FY18</b>	<b>Q1FY17</b>	<b>YoY gr.</b>	<b>Q4FY17</b>	<b>QoQ gr.</b>
<b>Textiles</b>					
Revenues	9,695	9,532	1.7	10,558	(8.2)
EBIT	767	1,002	(23.5)	790	(3.0)
<i>% of revenue</i>	<i>7.9</i>	<i>10.5</i>	<i>(260 bps)</i>	<i>7.5</i>	<i>40 bps</i>
<b>Paper</b>					
Revenues	2,113	2,064	2.4	2,254	(6.3)
EBIT	751	579	29.6	557	34.8
<i>% of revenue</i>	<i>35.6</i>	<i>28.1</i>	<i>750 bps</i>	<i>24.7</i>	<i>1090 bps</i>

Source: Company Data, Idea Research

**Income Statement (Rs m)**

Y/e March	2016	2017	2018E	2019E
<b>Net Revenue</b>	<b>36,840</b>	<b>46,944</b>	<b>51,622</b>	<b>57,301</b>
Raw Material Expenses	17,342	22,916	25,319	27,974
Gross Profit	19,498	24,028	26,303	29,327
Employee Cost	4,335	5,794	5,500	5,850
Other Expenses	7,974	9,351	10,200	11,473
<b>EBITDA</b>	<b>7,189</b>	<b>8,882</b>	<b>10,603</b>	<b>12,004</b>
Depr. & Amortization	3,376	4,125	4,100	4,000
Net Interest	1,364	1,410	1,310	1,160
Other Income	317	1,035	400	500
<b>Profit before Tax</b>	<b>2,766</b>	<b>4,382</b>	<b>5,593</b>	<b>7,343</b>
Total Tax	486	1,016	1,566	2,056
<b>Profit after Tax</b>	<b>2,280</b>	<b>3,366</b>	<b>4,027</b>	<b>5,287</b>
Ex-Od items / Min. Int.	-	-	-	-
<b>Adj. PAT</b>	<b>2,280</b>	<b>3,366</b>	<b>4,027</b>	<b>5,287</b>
<b>Avg. Shares O/S (m)</b>	<b>509.6</b>	<b>509.6</b>	<b>509.6</b>	<b>509.6</b>
<b>EPS (Rs.)</b>	<b>4.5</b>	<b>6.6</b>	<b>7.9</b>	<b>10.4</b>

**Cash Flow Abstract (Rs m)**

Y/e March	2016	2017	2018E	2019E
C/F from Operations	4,371	6,532	7,509	8,140
C/F from Investing	(11,970)	(1,784)	(1,911)	(1,450)
C/F from Financing	8,249	(4,242)	(5,643)	(5,610)
Inc. / Dec. in Cash	649	507	(45)	1,080
Opening Cash	170	819	1,326	1,281
Closing Cash	819	1,326	1,281	2,361
FCFF	(7,600)	4,749	5,598	6,690

**Key Financial Metrics**

Y/e March	2016	2017	2018E	2019E
<b>Growth</b>				
Revenue (%)	(1.9)	27.4	10.0	11.0
EBITDA (%)	8.8	23.5	19.4	13.2
PAT (%)	93.4	47.6	19.7	31.3
EPS (%)	93.4	47.6	19.7	31.3
<b>Profitability</b>				
EBITDA Margin (%)	19.5	18.9	20.5	20.9
PAT Margin (%)	6.2	7.2	7.8	9.2
RoCE (%)	9.6	10.0	10.6	13.4
RoE (%)	12.9	13.8	13.1	15.6
<b>Balance Sheet</b>				
Net Debt : Equity	1.8	1.0	0.8	0.6
Net Wrkng Cap. (days)	60.1	52.0	54.0	54.0
<b>Valuation</b>				
PER (x)	17.0	11.5	9.6	7.3
P / B (x)	2.0	1.3	1.2	1.1
EV / EBITDA (x)	10.1	7.5	6.0	4.9
EV / Sales (x)	2.0	1.4	1.2	1.0
<b>Earnings Quality</b>				
Eff. Tax Rate	17.6	23.2	28.0	28.0
Other Inc / PBT	0.1	0.2	0.1	0.1
Eff. Depr. Rate (%)	5.5	5.8	5.7	5.4

Source: Company Data, PL Research.

**Balance Sheet Abstract (Rs m)**

Y/e March	2016	2017	2018E	2019E
Shareholder's Funds	17,789	27,568	30,629	34,647
Total Debt	34,367	28,659	25,659	22,159
Other Liabilities	1,811	2,603	1,740	1,550
<b>Total Liabilities</b>	<b>53,967</b>	<b>58,830</b>	<b>58,029</b>	<b>58,356</b>
Net Fixed Assets	38,919	44,680	42,096	39,146
Goodwill	-	-	-	-
Investments	739	1,005	1,400	1,800
Net Current Assets	12,400	12,060	13,633	16,360
<i>Cash &amp; Equivalents</i>	<i>819</i>	<i>1,326</i>	<i>1,281</i>	<i>2,361</i>
<i>Other Current Assets</i>	<i>14,251</i>	<i>13,768</i>	<i>15,629</i>	<i>17,605</i>
<i>Current Liabilities</i>	<i>2,671</i>	<i>3,034</i>	<i>3,278</i>	<i>3,606</i>
Other Assets	1,909	1,086	900	1,050
<b>Total Assets</b>	<b>53,967</b>	<b>58,830</b>	<b>58,029</b>	<b>58,356</b>

**Quarterly Financials (Rs m)**

Y/e March	Q2FY17	Q3FY17	Q4FY17	Q1FY18
<b>Net Revenue</b>	<b>11,478</b>	<b>10,880</b>	<b>12,683</b>	<b>11,684</b>
<b>EBITDA</b>	<b>2,349</b>	<b>2,252</b>	<b>2,131</b>	<b>2,297</b>
<i>% of revenue</i>	<i>20.5</i>	<i>20.7</i>	<i>16.8</i>	<i>19.7</i>
Depr. & Amortization	1,044	1,035	1,010	1,023
Net Interest	348	302	321	334
Other Income	93	107	490	297
<b>Profit before Tax</b>	<b>1,050</b>	<b>1,022</b>	<b>1,290</b>	<b>1,237</b>
Total Tax	250	236	293	348
<b>Profit after Tax</b>	<b>801</b>	<b>786</b>	<b>997</b>	<b>889</b>
<b>Adj. PAT</b>	<b>801</b>	<b>786</b>	<b>997</b>	<b>889</b>

**Key Operating Metrics**

Y/e March	2016	2017	2018E	2019E
<b>Yarn</b>				
Capacity (MTPA)	1,15,200	1,15,200	1,15,200	1,15,200
Utilisation (%)	93	93	93	93
<b>Bath Linen</b>				
Capacity (TPA)	90,000	90,000	90,000	90,000
Utilisation (%)	41	50	58	66
<b>Bed Linen</b>				
Capacity (Mn Mtrs p.a)	43.2	43.2	43.2	43.2
Utilisation (%)	8	29	45	57
<b>Paper</b>				
Capacity (TPA)	1,75,000	1,75,000	1,75,000	1,75,000
Utilisation (%)	88	89	90	90

Source: Company Data, PL Research.

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