



CMP	76	Rating	BUY
Target	103	Upside	35%

**Modest revenue growth-** for the qtr, Trident reported a revenue growth of 1.76% YoY to Rs 11.68bn. This was aided by growth across both the verticals. Textiles segment (~82% of sales) reported a growth of 1.72% YoY to Rs 9.69bn, while the paper segment (~18% of sales) reported an increase of 2.36% YoY to Rs 2.11bn.

**OPM falters-** for the qtr, Trident reported a EBITDA of Rs 2.3bn a decline of 2.69% YoY, while OPM contracted by 90bps YoY to 19.6%. The decline in margins was on back margins contracting in home textile segment (-200bps YoY to 18%) which was impacted by increase in cotton prices. However, robust margin expansion in paper segment (44% vis-à-vis 34% YoY) arrested overall decline.

**Lower Interest cost leads to PAT growth-** Trident reported a PAT growth of 13.7% YoY to Rs 0.88bn. The robust growth was on back lower interest cost (-21.76% YoY) and higher other income (+1.45x YoY).

#### STOCK DETAILS

BSE Code	521064
NSE Code	TRIDENT
Market Cap (Rs.Bn)	38.73
Sector/ Index	Textiles
Year End	March
52 w.High/Low	96/42
Avg Daily Turnover (Rs.Mn)	5.20
Shares in Issue (mn)	569.37
BSE Sensex	31449
NSE Nifty	9794

**About the company:** Trident Limited is the flagship company of the Punjab-based conglomerate Trident Group, having a turnover of ~Rs 47bn. Trident manufactures textile products (terry towels, bed linen, cotton yarns, blended yarns among others), paper, chemical and energy. After commissioning its Budni unit, Trident became the largest terry towel manufacturer globally. To widen its product basket, the Company has embarked on becoming one of the major bed linen manufacturers in the country by installing 500 state-of-the-art looms at its Budni plant.

#### CONSOLIDATED FINANCIALS

Rs in bn	FY16	FY17	FY18E	FY19E
Total Revenue	36.7	46.9	55.1	59.0
EBIDTA	7.3	8.9	10.9	12.3
EBIDTA(%)	19.9%	18.9%	19.8%	20.9%
PAT	2.42	3.37	4.36	5.46
EPS (Rs.)	4.8	6.6	8.6	10.7
P/E (x)	16.0x	11.5x	8.9x	7.1x

Source: Company, Bloomberg Consensus

Result (Rs.bn)	Q1FY18	Q4FY17	Q1FY17	Y/Y(%)	Q/Q(%)
Revenue	11.68	12.62	11.48	1.76	-7.88
EBITDA	2.30	2.13	2.36	-2.69	7.80
EBITDA(%)	19.7	20.6	16.8	90bps	286bps
PAT	0.89	0.99	0.78	13.37	-10.76
PAT(%)	7.61	7.86	6.83	78bps	-25bps
EPS	1.75	1.96	1.54	13.34	-10.76

#### Key Takeaways:

**Home textile performance-** Home Textiles revenues grew 3% YoY in this quarter to Rs 9960mn 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% YoY, towel volumes de-grew 7% YoY on account of higher base. Domestic business (~15% of home textile revenues) witnessed subdued growth due to transition phase of GST. However, GST is likely to be positive for organized players in the long run.

**Paper division saves margin fall-** Despite drop in utilization rate (83% vis-à-vis 89% in FY17), the paper division posted a growth of 3% YoY to Rs 2140mn. OPM for the qtr stood at 44% vis-à-vis 34%, the impressive growth in margins was on back of lower RMAT cost and higher traction in copier paper volumes.

**Healthy Balance Sheet Position-** The company reduce its long-term debt by Rs 2270bn, including high cost debt of Rs 1870mn. The net debt further reduced to 0.9x in Q1FY18 as against 1.0x FY17. 75% of the company's loan is under TUFs.

**Cotton scenario-** In the last cotton season, cotton prices remained in a very tight range of Rs123 per Kilogram to Rs126 per Kilogram most of the time, which is unusual and was one of the reason were margins continue to remain under pressure. According to International Cotton Advisory Committee, Indian total area under cotton cultivation is projected to increase by 7% in FY18. while should be moderated up to 5% to 10% in the coming cotton season we could add in the margin expansion going forward.

**Expected Utilization-** Paper segment utilization is expected to be ~90%, . About 40% to 50% for bed linen, and around the 55% plus for towel business.

**Valuation and View:** Tridents performance in Q1 was decent given the headwinds it had to face. We expect the Topline to grow at CAGR of 12% over FY17-FY19E, while EBITDA is expected to grow at CAGR of ~18% with margins expanding by ~200bps over the same period to ~20.9%. We have maintained our earning estimate. **At CMP of Rs 76 the stock is trading at 8.9x and 7.1x on earnings estimates of Rs 8.6 and Rs 10.7 for FY18E and FY19E. With the expected growth in both export and domestic markets we expect Trident to be one the major beneficiaries. Historically the stock has traded 1 year forward multiple of 11x while the peer group trades on an average of ~13x 1 year forward. We believe that given the capex cycle completed and improvement in margin profile expected with ramp up of bed linen segment the stock deserves a valuation better than its historical and hence assign a target multiple of 12x for the stock on our FY18E earnings of Rs. 8.6 post which we arrive at a target of Rs 103 , which implies an upside of 35%. We assign a BUY call on the stock.**

<b>SUMMARY INCOME STATEMENT</b>							
<i>(in mn)</i>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18E</b>	<b>FY19E</b>
Total Income	33,352	38,690	37,553	36,657	46,944	55,079	58,997
Cost Of Revenues (incl Stock Adj)	18,415	20,521	19,309	17,286	22,916	26,713	28,319
<b>Gross Profit</b>	<b>14,937</b>	<b>18,169</b>	<b>18,245</b>	<b>19,370</b>	<b>24,028</b>	<b>28,366</b>	<b>30,678</b>
Employee Cost	2,379	2,870	3,872	4,295	5,794	6,885	7,522
<b>Other Operating Expenses</b>	<b>7,005</b>	<b>8,023</b>	<b>7,766</b>	<b>7,778</b>	<b>9,351</b>	<b>10,557</b>	<b>10,831</b>
EBITDA	5,553	7,276	6,608	7,297	8,882	10,923	12,326
Other Income	224	163	345	334	1,035	541	580
<b>Net Interest Exp.</b>	<b>2,353</b>	<b>2,103</b>	<b>2,060</b>	<b>1,452</b>	<b>1,410</b>	<b>1,202</b>	<b>1,077</b>
Depreciation	2,614	2,684	3,213	3,366	4,125	4,210	4,239
Exceptional Items	0	0	0	0	0	0	0
<b>PBT</b>	<b>811</b>	<b>2,652</b>	<b>1,680</b>	<b>2,813</b>	<b>4,382</b>	<b>6,052</b>	<b>7,589</b>
Tax	318	681	501	392	1,016	1,695	2,125
Profit After Tax	493	1,971	1,179	2,421	3,366	4,357	5,464
<b>Net Profit</b>	<b>493</b>	<b>1,971</b>	<b>1,179</b>	<b>2,421</b>	<b>3,366</b>	<b>4,357</b>	<b>5,464</b>
EPS	1.0	3.8	2.3	4.8	6.6	8.6	10.7
<b>SUMMARY BALANCE SHEET</b>							
<i>(in mn)</i>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18E</b>	<b>FY19E</b>
<b>Assets</b>							
Net Block	19,682.2	17,955.9	28,639.0	46,930.4	43,448.0	40,835.6	37,096.7
Capital WIP	280.5	276.9	1,993.0	571.3	1,097.6	0.0	0.0
Intangible Assets under development	0.0	85.9	225.9	43.9	134.0	134.0	134.0
Non-current Investment	613.7	997.0	112.0	721.6	1,005.0	1,005.0	4,917.1
Long term loans and advances	1,224.6	1,514.4	1,727.9	1,291.6	1,085.7	1,085.7	1,085.7
<b>Current Assets</b>							
Current Investment	25.0	155.0	196.5	1.1	48.9	48.9	483.6
Inventories	6,910.8	6,428.5	7,507.8	9,065.5	7,747.2	8,299.6	8,081.8
Trade receivables	2,322.1	2,641.4	2,033.3	2,512.7	3,750.9	4,225.2	4,364.2
Cash and cash equivalents	335.7	250.1	170.1	819.4	1,326.3	5,130.6	6,215.0
Short-term loans and advances	1,436.6	1,487.8	2,442.5	306.2	316.5	301.8	484.9
Other Current Assets	36.3	22.0	22.0	3,029.2	1,904.9	1,904.9	1,904.9
<b>Total Current Assets</b>	<b>11,041.5</b>	<b>10,829.8</b>	<b>12,175.7</b>	<b>15,733.0</b>	<b>15,045.8</b>	<b>19,862.1</b>	<b>21,050.7</b>
<b>Current Liabilities &amp; Provisions</b>							
Short-term borrowings	9,673.6	8,038.8	8,156.0	9,732.8	8,038.5	7,538.5	7,038.5
Trade payables	1,658.5	1,852.5	2,190.6	2,237.1	2,302.2	2,565.3	2,747.8
Other current liabilities	3,841.5	3,665.8	4,517.1	4,344.5	3,814.0	4,225.2	4,364.2
Short-term provisions	27.8	193.3	44.6	63.2	76.3	150.9	161.6
Total Current Liabilities	5,527.8	5,711.6	6,752.3	6,644.8	6,192.5	6,941.4	7,273.6
<b>Net Current Assets</b>	<b>5,513.7</b>	<b>5,118.2</b>	<b>5,423.4</b>	<b>9,088.1</b>	<b>8,853.3</b>	<b>12,920.7</b>	<b>13,777.1</b>
<b>Total Assets</b>	<b>27,339.7</b>	<b>26,103.3</b>	<b>38,317.7</b>	<b>58,648.0</b>	<b>55,672.5</b>	<b>56,029.9</b>	<b>57,494.3</b>
<b>Liabilities</b>							
Share Capital	3,108.4	3,110.9	5,086.4	5,093.7	5,095.8	5,095.8	5,095.8
Reserves and Surplus	3,952.9	5,737.4	9,467.1	19,267.3	22,472.6	26,830.0	32,294.3
<b>Total Shareholders Fudn</b>	<b>7,061.3</b>	<b>8,848.3</b>	<b>14,553.5</b>	<b>24,361.0</b>	<b>27,568.4</b>	<b>31,925.8</b>	<b>37,390.1</b>
Money Received against warrants	0.0	430.0	0.0	0.0	0.0	0.0	0.0
<b>Total Debt</b>	<b>19,165.4</b>	<b>15,697.4</b>	<b>22,117.0</b>	<b>31,097.9</b>	<b>25,501.4</b>	<b>21,501.4</b>	<b>17,501.4</b>
Long Term Provisions	42.9	45.3	405.1	84.6	140.4	140.4	140.4
Other Long Term Liabilities	0.0	0.0	0.0	1,522.9	807.3	807.3	807.3
Net Deffered Tax Liability	1,070.1	1,082.3	1,242.1	1,581.7	1,655.1	1,655.1	1,655.1
<b>Total Liabilities</b>	<b>27,339.7</b>	<b>26,103.3</b>	<b>38,317.7</b>	<b>58,648.0</b>	<b>55,672.5</b>	<b>56,029.9</b>	<b>57,494.3</b>

SUMMARY CASH FLOW STATEMENT							
(in mn)	FY13	FY14	FY15	FY16	FY17E	FY18E	FY19E
PBT	811	2,652	1,680	2,766	4,382	6,052	7,589
Depreciation & Amort., Total	2,614	2,684	3,213	3,376	4,125	4,210	4,239
After other adjustments	2,257	2,282	1,871	1,170	1,410	1,202	1,077
(Inc) / Dec in Working Capital	(1,767)	23	(977)	(1,424)	1,003	(263)	228
Taxes	(113)	(584)	(347)	(600)	(927)	(1,695)	(2,125)
Others	-	-	-	-	-	-	-
<b>Cash from Ops.</b>	<b>3,803</b>	<b>7,056</b>	<b>5,441</b>	<b>5,288</b>	<b>9,994</b>	<b>9,507</b>	<b>11,008</b>
Capital Expenditure & investments	(999)	(1,731)	(1,429)	(12,001)	(1,869)	(500)	(4,847)
<b>Cash from Investing</b>	<b>(999)</b>	<b>(1,731)</b>	<b>(1,429)</b>	<b>(12,001)</b>	<b>(1,869)</b>	<b>(500)</b>	<b>(4,847)</b>
Issue of Share capital	64	3	187	611	2	-	-
Net Borrowings	(555)	(4,062)	(1,966)	7,809	(5,596)	(4,000)	(4,000)
Others	(2,362)	(1,676)	(2,056)	(1,367)	(1,410)	(1,202)	(1,077)
Issuance of Dividend	-	(5)	(486)	(360)	-	-	-
<b>Cash from Financing</b>	<b>(2,853)</b>	<b>(5,740)</b>	<b>(4,321)</b>	<b>6,694</b>	<b>(7,005)</b>	<b>(5,202)</b>	<b>(5,077)</b>
Extraordinary receipts/payment	-	-	-	-	18	-	-
<b>Net Change in Cash</b>	<b>(50)</b>	<b>(415)</b>	<b>(309)</b>	<b>(20)</b>	<b>1,139</b>	<b>3,804</b>	<b>1,084</b>
BF Cash	141	91	89	69	49	1,188	4,992
Cash from Merger	-	-	290	-	-	-	-
<b>END Cash</b>	<b>91</b>	<b>(323)</b>	<b>69</b>	<b>49</b>	<b>1,188</b>	<b>4,992</b>	<b>6,077</b>

SUMMARY RATIOS							
	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E
<b>Profitability</b>							
Return on Assets	1.5%	6.1%	2.6%	3.7%	5.5%	6.9%	8.4%
Return on Capital	12.1%	19.0%	10.2%	7.7%	10.9%	13.6%	15.8%
Return on Equity	7.0%	20.9%	8.1%	9.9%	12.2%	13.6%	14.6%
<b>Margin Analysis</b>							
Gross Margin	44.8%	47.0%	48.6%	52.8%	51.2%	51.5%	52.0%
EBITDA Margin	16.7%	18.8%	17.6%	19.9%	18.9%	19.8%	20.9%
Net Income Margin	1.5%	5.1%	3.1%	6.6%	7.2%	7.9%	9.3%
<b>Short-Term Liquidity</b>							
Current Ratio	0.7x	0.8x	0.8x	1.0x	1.1x	1.4x	1.5x
Quick Ratio	0.3x	0.3x	0.3x	0.4x	0.5x	0.8x	0.9x
Avg. Days Sales Outstanding	25	25	20	25	29	28	27
Avg. Days Inventory Outstanding	76	61	73	90	60	55	50
Avg. Days Payables	18	17	21	22	18	17	17
<b>Long-Term Solvency</b>							
Total Debt / Equity	2.7x	1.7x	1.5x	1.3x	0.9x	0.7x	0.5x
EBITDA / Interest Expense	1.3x	2.3x	1.8x	2.9x	4.1x	6.0x	8.0x
<b>Valuation Ratios</b>							
EV/EBITDA	7.5x	5.3x	9.0x	9.3x	7.0x	4.9x	4.0x
PER	78.4x	19.9x	32.8x	16.0x	11.5x	8.9x	7.1x
P/B	3.3x	2.5x	2.6x	1.5x	1.4x	1.2x	1.0x

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**BUY** : Expected total return of over 25% within the next 12 months.

**ACCUMULATE** : Expected total return between 10 to 25% within the next 12 months.

**REDUCE** : Expected total return below 10% within the next 12 months.

**SELL** : Expected total return is below the market return within the next 12 months.

**NEUTRAL**: No investment opinion on the stock under review.

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