

Trident Ltd.

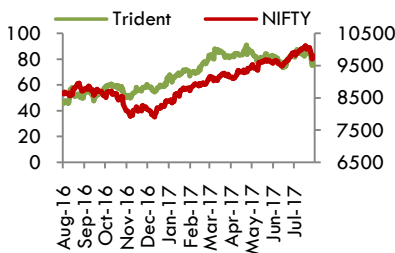
Nifty	9946
Sensex	31919

Key Stock Data

CMP	80.2
Market Cap (₹Cr)	4087
52W High/Low	92.3/45.1
Shares o/s (Cr)	50.96
Bloomberg	TRID:IN
NSE Code	TRIDENT
BSE Code	521064

Shareholding Pattern (%)

Promoters	67.77
FIs & DIs	03.60
Public & Others	28.63

Comparison Chart


Financial Summary	FY17	FY18E	FY19E
Net Sales	4,694.4	4,940.1	5,318.8
Growth %	27.7%	5.1%	8.7%
EBITDA	888.2	928.7	1,026.5
EBITDA Margin %	18.9%	18.8%	19.3%
PAT	337.2	335.8	419.6
EPS (₹)	6.6	6.6	8.2
P/E(x)	12.2	12.2	9.8

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Summary

Trident Ltd. declared its Q1FY18 results recently. Net Revenues grew by 1.8% to ₹1168.4crs. in Q1. EBITDA for Q1 de-grew by 2.7% Y-O-Y basis to ₹229.7crs. Margins contracted by 90bps to 19.7% due to higher raw material cost and rupee appreciation. Domestic business also witnessed subdued growth due to GST rollout; however, it is expected to be positive move for organised home textile players.

- Trident Ltd reported topline growth of ~1.8% yoy in Q1 with reported net sales at ₹1,168.4 crs. vs. ₹1,148.2crs. in the corresponding quarter, last year. Currency impact was ~3% in Q1 while volumes were up by 36% in bed linen & down by 7% in terry towel segment for Q1.
- Q1FY18 EBITDA de-grew by 2.7% yoy to ₹230crs. Margins contracted by 90bps to 19.7% vs. 20.6%. Rupee appreciation and higher raw material prices impacted gross margins which trickled down to EBITDA. Other expenses also increased by 4% to ₹239 crs. PAT for Q1FY18 registered a growth of 13.4% yoy to ₹88.9 crs.
- Bed and Bath Lines which operated at 51% capacity utilisation contributed 49% to sales and Yarn Segment which operated at 95% capacity utilisation during the quarter contributed 33% to sales.
- Bed Linen business reported strong volume growth of 32% QoQ, and operated at 36% utilisation level. Bed linen was primarily grey fabric in H1FY17 which has negligible in Q1FY18, implying realisation improvement in this segment. Bed linen was EBITDA loss this quarter and is expected to see price increases in Sept/Oct 2017. Company guides to a margin of 15-16% in this segment by FY19.
- Captive consumption for yarn increased to 40% vs. 33% in FY17.
- Paper segment which contributed 18% to the sales, delivered highest ever EBITDA margin of 44% vs. 34% in Q1FY17 due to decline in raw material prices and strong branded copier paper sales volume. Management expects EBITDA margin of 36%-40% is sustainable in Paper Business.
- Net debt stood at ₹2669 crs. vs. ₹2700 crs. of which ₹1821 crs. is long-term debt (70% of which is debt). During the quarter, the company repaid 227 crs of debt of which ₹187 crs was high cost debt. Continuous focus on debt reduction helped to reduced Net Debt/Equity reduced from 1.0 in FY17 to 0.9 in Q1FY18. The company has reduced debt of ₹752 crs since Mar2016.
- Trident's market share continuously rising from 10% in CY2014 to 13% in CY2016 in Towel Export to US. The company also looking for opportunities in Europe, New Zealand, Middle East, Japan.
- From Apr16 to June17, Rupee has appreciated around 2.7% compared to US dollar whereas during the same period Chinese Yuan has depreciated by 5%.
- Cotton priced increased by 20% yoy. However, management expect moderate cotton prices in coming season. According to International Cotton Advisory Committee, Indian total area under cotton is projected to increase by 7% in 2017-18.
- For FY2018, management expects 18%-20% EBITDA margin for the company.
- For the full FY2018, capacity utilisation for Paper, Bath & Bed Lines and Yarn business is expected to be ₹90%+, 40%-50% and ₹55%+ respectively.

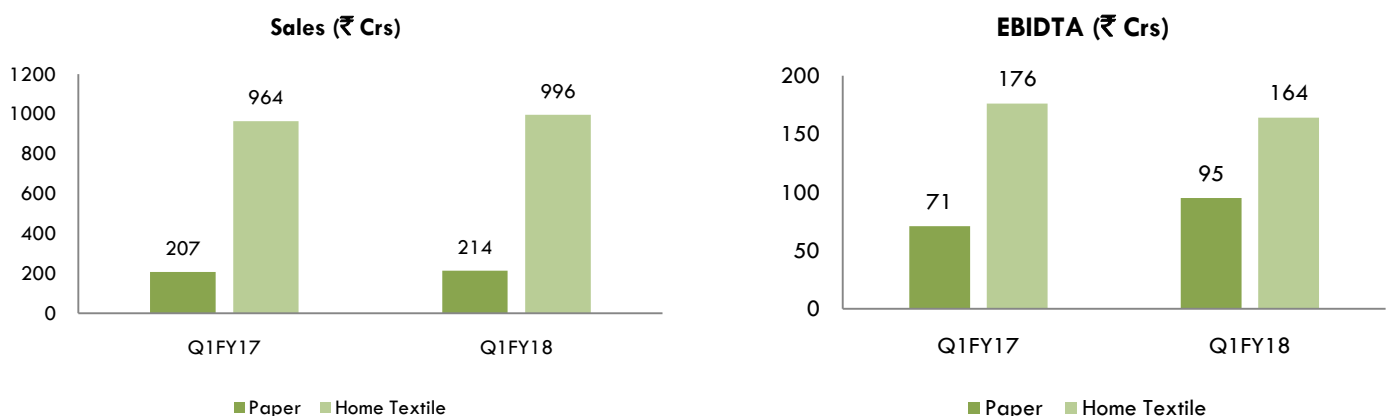
Risks

- Volatility in raw material prices. The company keeps a 6-month inventory for cotton. There is a pass through of price fluctuations to the consumer with a lag of 3 months. With forward integration, the cost escalations are better absorbed.
- Currency volatility. Trident exports 90% of its textile production. Contribution of USA is ~60% to exports & Europe is ~15-20%. All exports are USD denominated and the company has an active hedging policy.
- Any regulatory changes in export markets such as duty imposition etc. is an inherent risk to the company's business.
- Quality control. Company ensures quality to client since all production is done in-house.

Valuation & Outlook

Trident has over the years emerged as an integrated textile player with presence across the value chain. The company has focused on increasing the share of value added product offerings (bed sheets & terry towels) to its topline. With a vision of becoming the preferred global brand the company has embarked on a capacity expansion plan. The capex cycle is now behind them. The company more than doubled its terry towel capacity to emerge as the largest global manufacturer of terry towels & added a new product segment to its portfolio with a 43.2 mnsqmt capacity for bed linen. Currently the towel capacity is working at ~50% capacity utilization and the bed linen capacity at ~30% capacity utilization. We expect the company to leverage on its strong client relationships to further gain market share over the next few years. With capacity utilization expected to reach optimal levels by the end of FY19 we expect operating leverage will help profitability to grow faster and hence improve return ratios.

At the CMP of ₹80.2/- the stock trades at 12.2x & 9.8x its estimated EPS of ₹6.6/- & ₹8.2/- for FY18 & FY19 respectively. While yarn revenues will come down as captive consumption increases on the back of higher capacity utilization we expect topline to grow at ~10-12% CAGR over next two years. Profit growth will be higher in the next two years and capacity utilization improves & bed linen facility breaks even. We expect profit growth of 18-20% over the next two years. We believe the stock is attractive at current valuations and hence advise investors with a long-term investment horizon to ACCUMULATE the stock.



Standalone Financials

	Q1FY18	Q1FY17	VAR [%]	Q4FY17	VAR [%]	FY17	FY16	VAR [%]
	(₹ Crs)							
Gross Sales	1,180.7	1,159.5	1.8%	1281.10	-7.8%	4701.76	3686.8	27.5%
Excise Duty	12.3	11.4	8.7%	12.80	-3.6%	49.38	45.55	8.4%
Net Sales	1,168.4	1,148.2	1.8%	1,268.3	-7.9%	4652.38	3641.25	27.8%
Other Operating Income			-		-	65.72	48.23	36.3%
Total Operating Income	1,168.4	1,148.2	1.8%	1,268.3	-7.9%	4718.1	3689.48	27.9%
Other Income	29.7	12.1	145.1%	49.00	-97.0%	70.96	15.38	361.4%
TOTAL INCOME	1,198.1	1,160.3	#DIV/0!	1,317.3	-9.0%	4789.06	3704.86	7.3
Total Raw Material Cost	551.9	548.5	0.6%	653.5	-15.5%	2291.83	1733.17	32.2%
Raw Material Consumed	598.8	543.9	10.1%	626.62	-4.4%	2253.52	1723.52	30.8%
Stock Adjustment	-49.4	2.9		21.58	-328.8%	26.61	-2.99	-990.0%
Purchase of Finished Goods	2.5	1.7	45.3%	5.34	-53.5%	11.7	12.64	-7.4%
Raw Material Cost % to Sales	47.2%	47.8%		51.5%		49%	47%	
Employee Expenses	148.2	134.5	10.2%	151.02	-1.9%	576.38	428.11	34.6%
Employee Expenses % to Sales	12.7%	11.7%		11.9%		12%	12%	
Other Expenses	238.55	229.2	4.1%	250.65	-4.8%	934.47	781.47	19.6%
Other Expenses % to Sales	20.4%	20.0%		19.8%		20%	21%	
TOTAL EXPENDITURE	938.7	912.1	2.9%	1,055.2	-11.0%	3802.68	2942.75	29.2%
EBIDTA	229.7	236.0	-2.7%	213.1	7.8%	915.42	746.73	22.6%
EBIDTA Margin %	19.7%	20.6%		16.8%		19%	20%	
Interest	33.38	42.7	-21.8%	32.06	4.1%	136.07	142.06	-4.2%
PBDT	226.0	205.5	10.0%	230.0	-1.7%	850.31	620.05	37.1%
Depreciation	102.30	103.4	-1.1%	101.00	1.3%	412.4	337.03	22.4%
PBT	123.7	102.1	21.2%	129.0	-4.1%	437.91	283.02	54.7%
Share of Profit/(Loss) of associates						0.66	-0.028	
PBT and after share of associates						438.57	282.99	
Tax	34.79	23.6	47.3%	29.34	18.6%	101.52	39.17	159.2%
Tax rate %	28.1%	23.1%		22.7%			0.14	
Reported Profit After Tax	88.9	78.5	13.4%	99.7	-10.8%	337.05	243.82	38.2%
Adjusted Profit After Extra-ordinary item	88.9	78.5	13.4%	99.7	-10.8%	337.05	243.82	38.2%
Basic:								
EPS	1.75	1.54	13.4%	1.96	-10.8%	6.61	4.78	38.2%
Equity	509.6	509.5		509.6		509.57	509.57	
Face Value	10.0	10.0		10.0		10	10	

Segmental

		Q1FY18	Q1FY17	VAR (%)	Q4FY17	VAR (%)	FY17	FY16	VAR (%)
(₹ Crs)									
TEXTILE		969.5	953.2	1.7%	1,055.8	-8.2%	3891.29	2900.75	34%
	Mix %	82.1%	82.2%		82.4%		82%	78%	
PAPER & CHEMICALS		211.3	206.4	2.4%	225.4	-6.3%	873.75	834.51	5%
	Mix %	17.9%	17.8%		17.6%		18%	22%	
OTHERS		-	0.1	-100.0%	-	#DIV/0!	0.063	0.371	-83%
	Mix %	0%	0%		0%		0%	0%	
UNALLOTTED		-	-		-		-0.28	-0.07	
TOTAL		1,180.8	1,159.7	1.8%	1,281.2	-7.8%	4764.82	3735.56	28%
LESS: INTER SEGMENT REVENUE		0.1			0.1		0.53	0.54	
NET SALES		1,180.7	1,159.7	1.8%	1,281.1	-7.8%	4764.29	3735.02	28%
SEGMENT RESULT									
TEXTILE		76.7	100.2	-23.5%	79.0	-3.0%	369.65	299.97	23%
	Margin %	8%	11%		7%		9%	10%	
PAPER & CHEMICALS		75.1	57.9	29.6%	55.7	34.8%	233.1	160	46%
	Margin %	36%	28%		25%		27%	19%	
OTHERS		-0.2	-0.1	45.5%	-0.2	0.0%	-0.77	-0.62	24%
	Margin %	-	-239%		-		-1222%	-167%	
TOTAL		151.6	158.0	-4.1%	134.6	12.7%	601.98	459.35	31%
LESS:									
INTEREST		33.4	42.7	-21.8%	32.1		138.6	145.23	-5%
OTHER UN-ALLOCABLE EXPENDITURE NET OFF UN ALLOCABLE INCOME		-5.5	13.3	-141.5%	-26.5		25.18	32.56	-23%
TOTAL PROFIT BEFORE TAX		123.7	102.1	21.2%	129.0	-4.1%	438.2	281.56	56%

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Name of the Security	Trident Ltd.
Name of the analyst	Shivani Vishwanathan & Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
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