

IER

Independent Equity Research

Enhancing investment decisions



Trident Ltd

Q4FY17 Results Update

Explanation of CRISIL Fundamental and Valuation (CFV) matrix

The CFV Matrix (CRISIL Fundamental and Valuation Matrix) addresses the two important analysis of an investment making process – Analysis of Fundamentals (addressed through Fundamental Grade) and Analysis of Returns (Valuation Grade) The fundamental grade is assigned on a five-point scale from grade 5 (indicating Excellent fundamentals) to grade 1 (Poor fundamentals) The valuation grade is assigned on a five-point scale from grade 5 (indicating strong upside from the current market price (CMP)) to grade 1 (strong downside from the CMP).

CRISIL Fundamental Grade	Assessment	CRISIL Valuation Grade	Assessment
5/5	Excellent fundamentals	5/5	Strong upside (>25% from CMP)
4/5	Superior fundamentals	4/5	Upside (10-25% from CMP)
3/5	Good fundamentals	3/5	Align (+-10% from CMP)
2/5	Moderate fundamentals	2/5	Downside (negative 10-25% from CMP)
1/5	Poor fundamentals	1/5	Strong downside (<-25% from CMP)

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Trident Ltd

May 31, 2017

High share of value-added products to support margins amid rise in cotton prices

Fundamental Grade: 3/5 (Good fundamentals) Valuation Grade: 4/5 (CMP has upside)
Industry: Textiles and Paper Fair Value: ₹93 CMP: ₹81

Trident Ltd's Q4FY17 revenue was slightly above, but earnings were in line with CRISIL Research's expectations. Strong growth within the textile segment (40.1% y-o-y) led to 37.0% y-o-y increase in revenue to ₹13,140 mn. Owing to demonetisation, which led to higher cotton prices (raw material cost as a percentage of sales rose 314 bps to 49.7% in Q4FY17 vs 46.6% in Q4FY16), EBITDA margin contracted 106 bps y-o-y to 19.7%. As of FY17, the company's D/E ratio is 1.0x, which it plans to reduce further backed by healthy operating cash flows. Improvement in utilisation in the home textiles segment and growing proportion of exports are expected to support the growth momentum. Decreasing financial leverage (retiring of high cost debt) is expected to improve balance sheet strength. We maintain our fundamental grade of 3/5.

Home textiles: Volume growth to continue as utilisation increases

In Q4FY17, with higher utilisation in the bed and bath linen segments of home textiles, revenue increased 40% y-o-y and 16% q-o-q to ₹10,558 mn. Cotton yarn posted volume growth of 12% y-o-y and terry towel 35% y-o-y. However, on the back of increasing cotton prices, EBITDA margin contracted 179 bps y-o-y to -17%. In the bed linen segment – with improving utilisation (~45% in FY18) and gradual shift towards value-added fabrics – we expect it to break even during FY18 and contribute positively thereon. Similarly, supported by efforts to penetrate new geographies and increasing customer base, we expect utilisation of the terry towels segment to touch 65% by FY19. Apart from this, the government's scheme on the rebate of state levies on exports is expected to be growth and margin accretive. We, thus, expect revenue CAGR of ~12% in the textiles segment over FY17-19.

Paper: Revenue growth aided by better realisations, partially offset by volume de-growth

Sales volume in Q4FY17 declined 4% y-o-y, but increasing share of branded copier paper resulted in better realisations which led to revenue growth of 7% y-o-y to ₹2,254 mn. Consequently, the segment's EBITDA margin improved 327 bps y-o-y to 36%. With high utilisation (~90%) and increasing competition within this segment, we expect revenue to increase at a moderate CAGR of ~5% over FY17-19.

EBITDA margin to remain range bound, profitability to improve with debt repayment

As envisaged earlier, overall revenue is expected to grow at ~10% CAGR over FY17-19 to ₹58 bn owing to increase in utilisation – supported by healthy demand in the domestic and export markets. EBITDA margin is expected to remain range bound (~20.5%) owing to growing share of value-added products, which will partially be offset by high cotton prices. Owing to healthy operating cash flows, we expect ~₹2.5 bn reduction in debt in FY18, resulting in interest savings and PAT growth of ~19%.

Fair value maintained at ₹93 per share

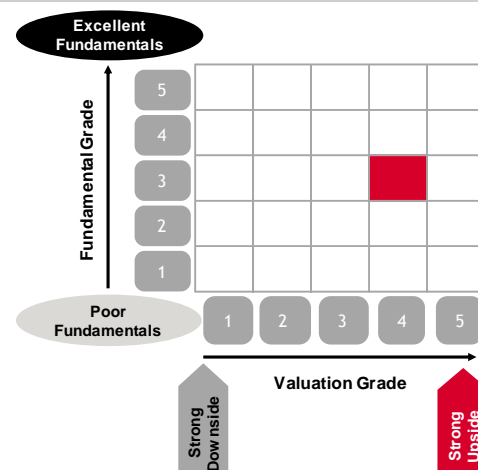
We maintain our FY18 and FY19 earnings estimates. We continue to value Trident by the discounted cash flow (DCF) method and reiterate our fair value of ₹93 per share. At the current market price of ₹81, our valuation grade is 4/5.

KEY FORECAST - CONSOLIDATED

(₹ mn)	FY15	FY16	FY17#	FY18E	FY19E
Operating income	37,626	36,952	47,831	53,277	58,037
EBITDA	6,762	7,303	9,769	10,893	11,858
Adj net income	1,153	2,222	3,372	4,196	4,767
Adj EPS (₹)	2.3	4.4	6.6	8.2	9.4
Dividend yield (%)	0.7	1.1	1.8	2.5	2.9
RoCE (%)	10.4	7.9	10.0	12.4	14.1
RoE (%)	9.7	11.4	13.2	14.9	15.2
PE (x)	35.7	18.5	12.2	9.8	8.6
P/BV (x)	2.8	1.7	1.5	1.4	1.2
EV/EBITDA (x)	9.9	10.3	6.9	6.0	5.1

#: Abridged numbers; Source: Company, CRISIL Research estimates

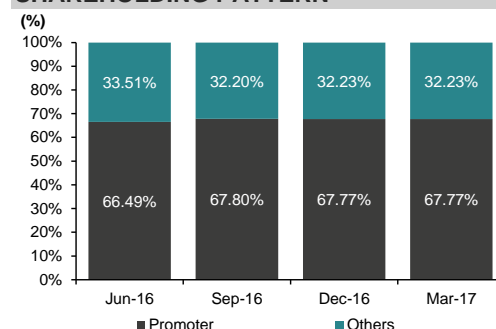
CFV MATRIX



KEY STOCK STATISTICS

NIFTY/SENSEX	9625/31159
NSE/BSE ticker	TRIDENT/TRIDENT
Face value (₹ per share)	10
Shares outstanding (mn)	509.6
Market cap (₹ mn)/(US\$ mn)	41,225/638
Enterprise value (₹ mn)/(US\$ mn)	74,088/1146
52-week range (₹)/(H/L)	92/42
Beta	1.1
Free float (%)	32.2%
Avg daily volumes (30-days)	1,541,585
Avg daily value (30-days) (₹ mn)	74.6

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

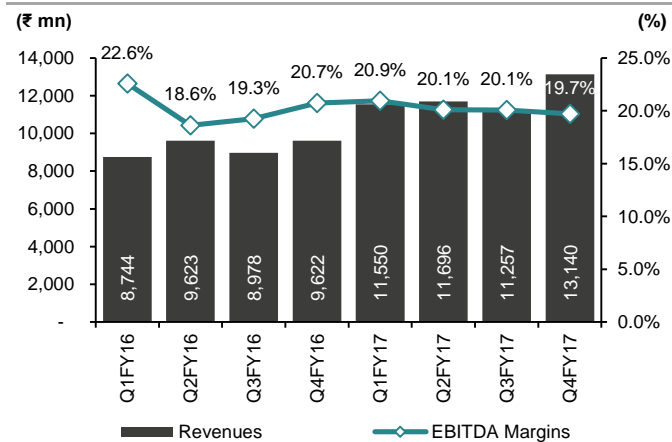
	Returns			
	1-m	3-m	6-m	12-m
Trident	-2%	14%	48%	60%
NIFTY 500	1%	8%	19%	22%

Q4FY17 results summary - Standalone

(₹ mn)	Q4FY17	Q3FY17	Q4FY16	q-o-q (%)	y-o-y (%)	FY17	FY16	y-o-y (%)
Net sales (net of excise)	13,140	11,223	9,589	17.1%	37.0%	47,753	36,653	30.3%
Raw materials cost	6,536	5,339	4,469	22.4%	46.3%	22,872	17,304	32.2%
Raw materials cost (% of net sales)	49.7%	47.6%	46.6%	217bps	314bps	47.9%	47.2%	68bps
Employee Cost	1,510	1,447	1,200	4.4%	25.9%	5,764	4,285	34.5%
Other Expenses	2,507	2,186	1,931	14.7%	29.8%	9,345	7,762	20.4%
EBITDA	2,588	2,252	1,990	14.9%	30.1%	9,773	7,301	33.8%
EBITDA margin	19.7%	20.1%	20.7%	-37bps	-106bps	20.5%	19.9%	54bps
Depreciation	1,010	1,035	928	-2.4%	8.8%	4,124	3,366	22.5%
EBIT	1,578	1,217	1,061	29.7%	48.7%	5,648	3,935	43.5%
Interest and finance charges	321	302	364	6.3%	-11.9%	1,410	1,452	-2.9%
Operating PBT	1,257	915	697	37.4%	80.3%	4,238	2,483	70.7%
Other income	33	107	70	-69.0%	-52.7%	147	333	-56.0%
PBT	1,290	1,022	767	26.2%	68.2%	4,385	2,816	55.7%
Tax	293	236	158	24.3%	86.1%	1,015	393	158.4%
PAT	997	786	609	26.8%	63.6%	3,370	2,423	39.1%
Adj PAT	997	786	609	26.8%	63.6%	3,370	2,423	39.1%
Adj PAT margin	7.6%	7.0%	6.4%	58bps	123bps	7.1%	6.6%	45bps
No. of equity shares (mn)	509.6	509.6	509.4	NM	NM	509.6	509.4	NM
Adj EPS (₹)	1.96	1.54	1.20	26.8%	63.5%	6.61	4.76	39.0%

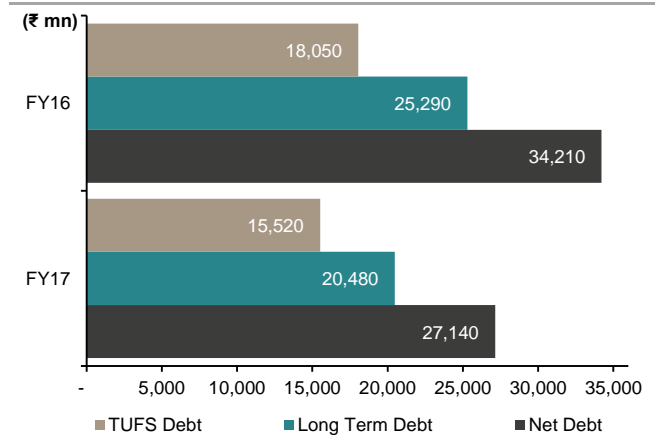
Source: Company, CRISIL Research

EBITDA margin contracted owing to high cotton prices



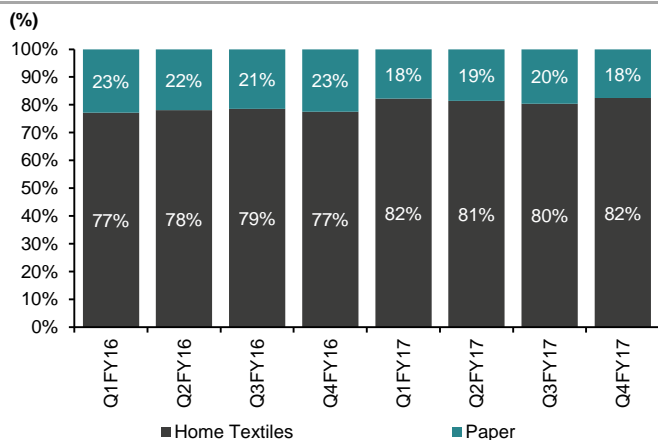
Source: Company, CRISIL Research

Focus on de-leveraging by retiring high cost debt



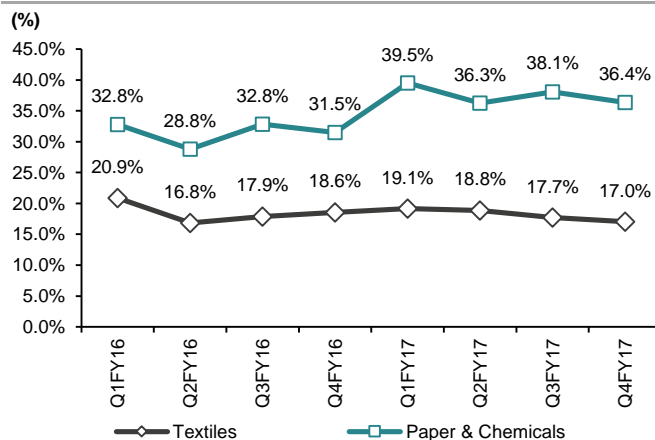
Source: Company, CRISIL Research

Increasing share of home textiles as utilisation improves



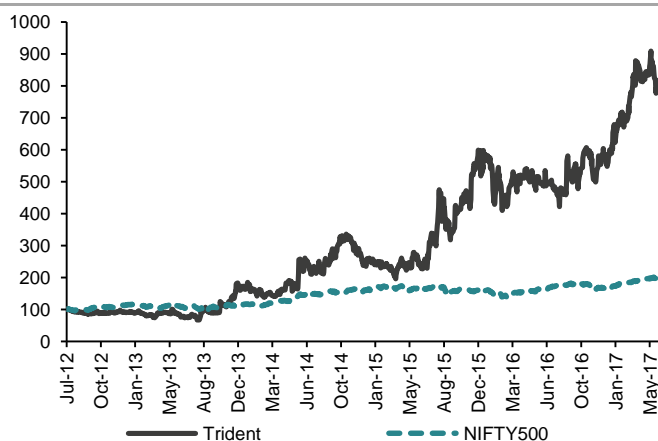
Source: Company, CRISIL Research

EBITDA margin of paper segment expanded 490 bps y-o-y



Source: Company, CRISIL Research

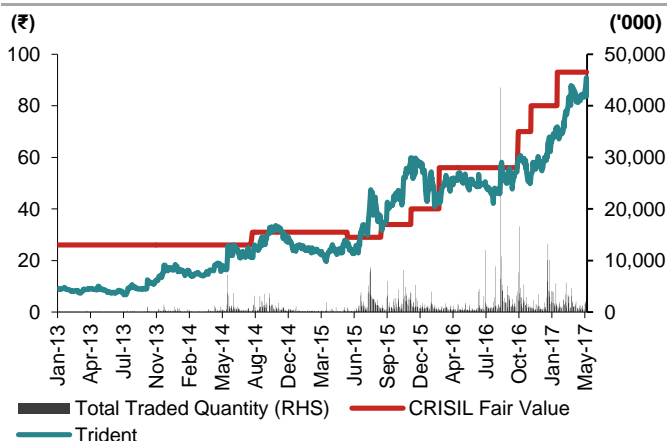
Share price



-Indexed to 100

Source: NSE, CRISIL Research

Fair value since initiation



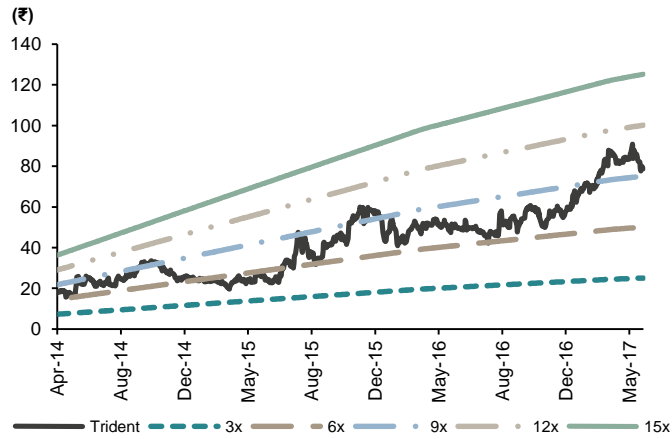
Source: NSE, BSE, CRISIL Research

Valuation

Grade: 4/5

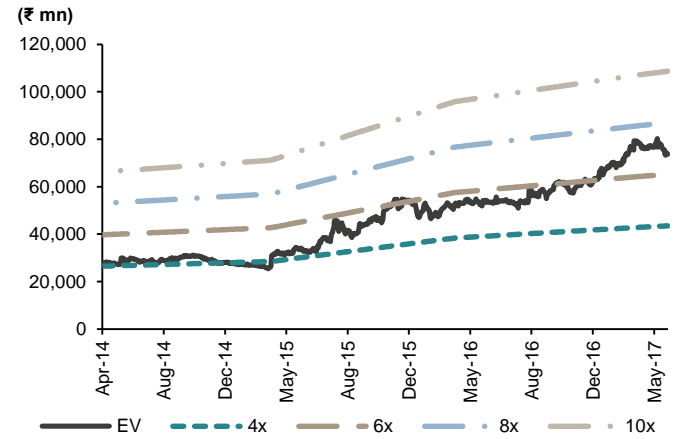
We have maintained our earnings estimates for FY18 and FY19. Consequently, we reiterate the fair value of ₹93 per share. This value implies P/E multiples of 11.3x and 9.9x FY18E and FY19E EPS, respectively. At the current market price of ₹81 per share, the valuation grade is **4/5**.

One-year forward P/E band



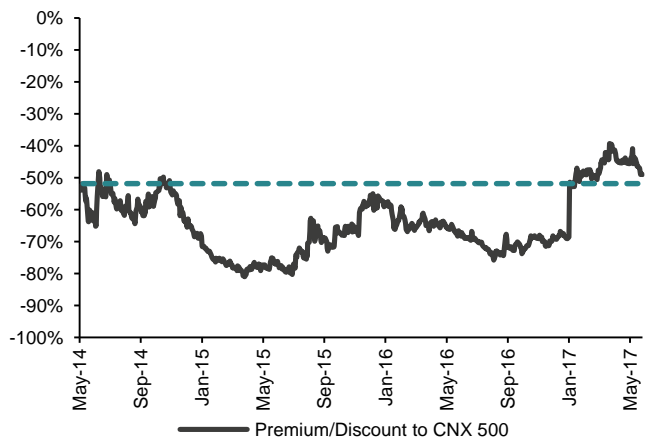
Source: NSE, CRISIL Research

One-year forward EV/EBITDA band



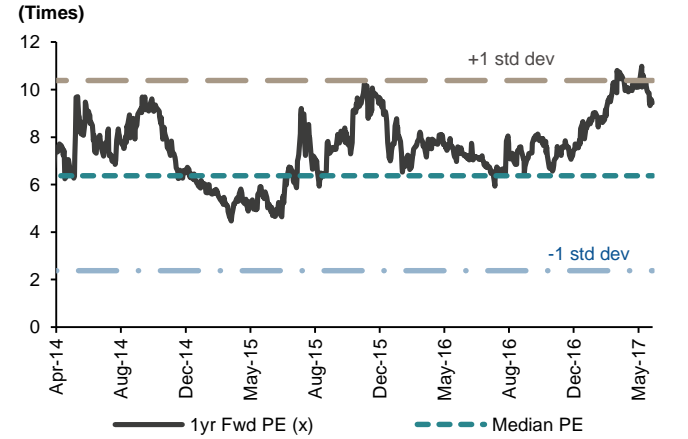
Source: NSE, CRISIL Research

P/E – premium / discount to CNX 500



Source: NSE, CRISIL Research

P/E



Source: NSE, CRISIL Research

CRISIL IER reports released on Trident Ltd

Date	Nature of report	Fundamental grade	Fair value	Valuation grade	CMP (on the date of report)
24-Feb-14	Initiating coverage	3/5	₹26	5/5	₹14
02-June-14	Q4FY14 result update	3/5	₹26	5/5	₹17
21-Aug-14	Q1FY15 result update	3/5	₹31	5/5	₹24
20-Nov-14	Q2FY15 result update	3/5	₹31	3/5	₹29
10-Mar-15	Q3FY15 result update	3/5	₹31	5/5	₹23
12-June-15	Q4FY15 result update	3/5	₹29	5/5	₹23
10-Sep-15	Detailed report	3/5	₹34	3/5	₹36
08-Dec-15	Q2FY16 result update	3/5	₹40	1/5	₹56
25-Feb-16	Q3FY16 result update	3/5	₹56	5/5	₹43
22-Jun-16	Q4FY16 result update	3/5	₹56	3/5	₹53
18-Oct-16	Detailed report	3/5	₹70	4/5	₹60
25-Nov-16	Q2FY17 result update	3/5	₹80	5/5	₹54
14-Feb-17	Q3FY17 result update	3/5	₹93	5/5	₹71
31-May-17	Q4FY17 result update	3/5	₹93	4/5	₹81

Annexure: Financials (Consolidated)

Income statement						Balance Sheet					
(₹ mn)	FY15	FY16	FY17#	FY18E	FY19E	(₹ mn)	FY15	FY16	FY17#	FY18E	FY19E
Operating income	37,626	36,952	47,831	53,277	58,037	Liabilities					
EBITDA	6,762	7,303	9,769	10,893	11,858	Equity share capital	5,086	5,094	5,096	5,096	5,096
EBITDA margin	18.0%	19.8%	20.4%	20.4%	20.4%	Reserves	9,467	19,267	21,675	24,612	27,948
Depreciation	3,178	3,385	4,125	4,219	4,314	Minorities	-	-	-	-	-
EBIT	3,584	3,918	5,644	6,674	7,544	Net worth	14,554	24,361	26,770	29,708	33,044
Interest	2,060	1,364	1,410	1,079	884	Convertible debt	-	-	-	-	-
Operating PBT	1,524	2,554	4,234	5,595	6,660	Other debt	26,249	34,471	27,043	24,343	20,043
Other income	129	153	148	152	150	Total debt	26,249	34,471	27,043	24,343	20,043
Exceptional inc/(exp)	26	63	-	-	-	Deferred tax liability (net)	1,242	1,727	1,816	1,727	1,727
PBT	1,680	2,770	4,382	5,747	6,810	Total liabilities	42,044	60,559	55,630	55,778	54,815
Tax provision	501	486	1,016	1,552	2,043	Assets					
Share of associate profit	-	-	(7)	-	-	Net fixed assets	28,609	45,592	42,967	40,398	37,635
PAT (Reported)	1,179	2,285	3,372	4,196	4,767	Capital WIP	2,582	738	238	88	38
Less: Exceptionals	26	63	-	-	-	Total fixed assets	31,191	46,329	43,204	40,486	37,672
Adjusted PAT	1,153	2,222	3,372	4,196	4,767	Investments	802	1,301	1,301	1,301	1,301
						Current assets					
						Inventory	7,508	9,092	7,732	8,758	9,540
						Sundry debtors	2,256	1,990	2,882	3,206	3,782
						Loans and advances	5,137	7,065	6,218	8,311	9,402
						Cash & bank balance	124	131	422	243	268
						Marketable securities	1	1	1	1	1
						Total current assets	15,026	18,279	17,255	20,519	22,993
						Total current liabilities	5,230	5,788	6,570	6,967	7,591
						Net current assets	9,796	12,491	10,686	13,552	15,402
						Intangibles/Misc. expenditure	256	439	439	439	439
						Total assets	42,045	60,559	55,630	55,778	54,815
						Cash flow					
						(₹ mn)	FY15	FY16	FY17#	FY18E	FY19E
						Pre-tax profit	1,654	2,708	4,382	5,747	6,810
						Total tax paid	(341)	(1)	(927)	(1,641)	(2,043)
						Depreciation	3,178	3,385	4,125	4,219	4,314
						Working capital changes	(1,179)	(2,687)	2,096	(3,045)	(1,825)
						Net cash from operations	3,312	3,404	9,676	5,280	7,255
						Cash from investments					
						Capital expenditure	(15,536)	(18,705)	(1,000)	(1,500)	(1,500)
						Investments and others	819	(499)	-	-	-
						Net cash from investments	(14,718)	(19,204)	(1,000)	(1,500)	(1,500)
						Cash from financing					
						Equity raised/(repaid)	4,518	11	2	0	-
						Debt raised/(repaid)	7,292	8,222	(7,429)	(2,700)	(4,300)
						Dividend (incl. tax)	(341)	(546)	(910)	(1,259)	(1,430)
						Others (incl. extraordinary)	(55)	8,121	(48)	-	-
						Net cash from financing	11,415	15,808	(8,385)	(3,959)	(5,730)
						Change in cash position	8	8	291	(179)	25
						Closing cash	124	131	422	243	268
						Quarterly financials					
						(₹ mn)	Q4FY16	Q1FY17	Q2FY17	Q3FY17	Q4FY17
						Net Sales	9,589	11,550	11,696	11,223	13,140
						Change (q-o-q)	7%	20%	1%	-4%	17%
						EBITDA	1,990	2,418	2,349	2,252	2,588
						Change (q-o-q)	15%	22%	-3%	-4%	15%
						EBITDA margin	21%	21%	20%	20%	20%
						PAT	609	786	801	786	997
						Adj PAT	609	786	801	786	997
						Change (q-o-q)	0%	29%	2%	-2%	27%
						Adj PAT margin	6%	7%	7%	7%	8%
						Adj EPS	1.2	1.6	1.6	1.5	2.0
						Per share					
						(₹ mn)	FY15	FY16	FY17#	FY18E	FY19E
						Adj EPS (₹)	2.3	4.4	6.6	8.2	9.4
						CEPS	8.5	11.0	14.7	16.5	17.8
						Book value	28.6	47.8	52.5	58.3	64.8
						Dividend (₹)	0.6	0.9	1.5	2.1	2.3
						Actual o/s shares (mn)	508.6	509.4	509.6	509.6	509.6

#: Abridged numbers; Source: CRISIL Research

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About CRISIL Limited

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We are majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

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Last updated: April 2016

Analyst Disclosure

Each member of the team involved in the preparation of the grading report, hereby affirms that there exists no conflict of interest that can bias the grading recommendation of the company.

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