

Trident

HOLD

Yet another dismal quarter

Summary

- Trident reported disappointing Q4FY18 results due to weaker than expected margins in Textile segment. It's sales stood at Rs11,850 mn (2.4% above our estimate), however, EBITDA of Rs2,139 mn was 10.5% below our forecast.
- Textiles segment sales rose 11.1% QoQ to Rs9,661 mn, but declined 7.9% YoY. Segment EBIT was lower than our estimate and fell to Rs650 mn (-11.2% QoQ, -46.8% YoY). On a positive note, bath linen and bed linen registered volume growth of 12% and 28%, QoQ, respectively.
- Paper & Chemicals segment EBIT fell 6.9% QoQ to Rs601 mn. Segment EBIT margin contracted 137bps QoQ to 27.5%.
- We maintain our HOLD rating on the stock with a revised TP of Rs62 (previous Rs81).

Key Highlights and Investment Rationale

- Bed linen, terry towel sales picks up sequentially:** Bath linen and bed linen registered volume growth of 12% and 28%, QoQ, respectively. However, bed linen volumes have declined 56.2% in FY18.
- Employee expenses rises QoQ:** Trident's employee costs increased 17.4% QoQ to Rs1,276 mn due to higher one-time costs related to rationalization of manpower. Interest expenses increased 9.8% QoQ to Rs277 mn due to higher short-term borrowings. Net profit at Rs509 mn (-48.9% YoY, -30.3% QoQ) was below our forecast.
- Headwinds continue for Home Textiles :** Home Textiles business in the US (biggest market) continues to face headwinds with rising competition, destocking by customers and weakening financial position of some retailers. Hence, we believe Indian players' volumes/ margins are likely to remain under pressure during FY19. **We value the stock at PE of 8.0x on our FY20E EPS to derive a target price of Rs62.**

TP	Rs62
CMP	Rs64
Potential upside / downside	-2%
Previous Rating	HOLD

V/s Consensus

EPS (Rs)	FY19E	FY20E
IDBI Capital	6.2	7.8
Consensus	8.3	10.6
% difference	(25.5)	(26.2)

Shareholding Pattern (%)

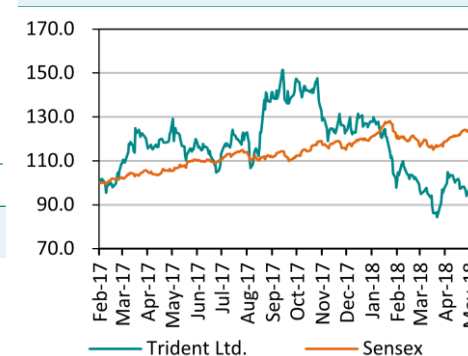
Promoters	67.8
FII	1.3
DII	2.3
Public	28.6

Price Performance (%)

	-1m	-3m	-12m
Absolute	(6.9)	(10.2)	(26.2)
Rel to Sensex	(11.6)	(13.5)	(44.1)

Key Stock Data	
Bloomberg / Reuters	TRID IN / TRIE.BO
Sector	Midcap
Shares o/s (mn)	510
Market cap. (Rs mn)	34,933
Market cap. (US\$ mn)	520
3-m daily average value (Rs mn)	69
52-week high / low	Rs110 / 59
Sensex / Nifty	35,216 / 10,718

Relative to Sensex (%)



Financial snapshot

Year	FY2016	FY2017	FY2018	FY2019E	FY2020E
Revenue	37,112	46,252	45,575	46,786	51,863
EBITDA	7,297	8,855	8,192	9,255	10,362
EBITDA (%)	19.7	19.1	18.0	19.8	20.0
Adj. PAT	2,421	3,372	2,640	3,168	3,965
EPS (Rs)	4.3	6.6	5.2	6.2	7.8
EPS Growth (%)	83.5	55.6	(21.7)	20.0	25.2
PE (x)	15.0	9.7	12.3	10.3	8.2
Dividend Yield (%)	1.0	2.4	2.6	2.6	2.9
EV/EBITDA (x)	7.8	5.7	5.7	4.6	3.8
RoE (%)	15.0	15.0	9.4	10.5	12.1
RoCE (%)	11.1	10.7	8.9	10.9	13.1

Source: Company; IDBI Capital Research

Exhibit 1: Actual vs. Estimates

(Rs mn)

	Q4FY18E	Q4FY18A	Variance (%)
Net sales	11,578	11,850	2.4
EBTIDA	2389	2,139	(10.5)
Margin	20.6	18.0	(258)bps
PAT	782	509	(34.9)
Adj. diluted EPS (Rs)	1.53	1.00	(34.9)

Source: Company; IDBI Capital Research

Exhibit 2: Quarterly Snapshot

(Rs mn)

Financial snapshot	Q4FY18	Q3FY18	QoQ (%)	Q4FY17	YoY (%)
Net sales	11,850	10,937	8.3	12,743	(7.0)
Expenditure	9,682	8,937	8.3	10,640	(9.0)
EBITDA	2,139	2,316	(7.6)	2,621	(18.4)
<i>EBITDA margin (%)</i>	<i>18.0</i>	<i>21.2</i>	<i>(313)bps</i>	<i>19.8</i>	<i>(171)bps</i>
Interest	277	252	9.8	321	(13.6)
Depreciation	982	1,013	(3.1)	1,010	(2.8)
PBT	880	1,050	(16.2)	1,290	(31.8)
Tax	371	320	16.0	293	26.5
PAT	509	730	(30.3)	997	(48.9)
Diluted EPS (Rs)	1.00	1.43	(30.3)	1.96	(48.9)

Source: Company; IDBI Capital Research

Exhibit 3: Segment Revenues

(Rs mn)

	Q4FY18	Q3FY18	QoQ (%)	Q4FY17	YoY (%)
Textiles	9,661	8,698	11.1	10,491	(7.9)
Paper & Chemicals	2,190	2,241	(2.3)	2,254	(2.9)

Source: Company; IDBI Capital Research

Exhibit 4: Segment EBIT

(Rs mn)

	Q4FY18	Q3FY18	QoQ (%)	Q3FY17	YoY (%)
Textiles	650	733	(11.2)	1,222	(46.8)
Paper & Chemicals	601	646	(6.9)	507	18.5

Source: Company; ID7BI Capital Research

Exhibit 5: Segment EBIT margins (%)

	Q4FY18	Q3FY18	QoQ (%)	Q4FY17	YoY (%)
Textiles	6.7	8.4	(169)bps	11.6	(491)bps
Paper & Chemicals	27.5	28.8	(137)bps	22.5	495bps

Source: Company; IDBI Capital Research

We lower our FY19/20 sales volumes to factor in lower demand of bed linen and terry towel. Also, we cut our margin estimates to factor in lower volumes in FY19/20.

Exhibit 6: Change in estimates

	FY19E			FY20E		
	Old	New	(%) Chg	Old	New	(%) Chg
Revenue (Rs mn)	49,135	46,786	(4.8)	53,269	51,863	(2.6)
EBITDA (Rs mn)	10,375	9,255	(10.8)	11,446	10,362	(9.5)
EBITDA margin (%)	21.1	19.8	(133)bps	21.5	20.0	(151)bps
Net profit (Rs mn)	3,733	3,168	(15.1)	4,604	3,965	(13.9)
EPS (Rs)	7.3	6.2	(15.1)	9.0	7.8	(13.9)

Source: Company; IDBI Capital Research

Financial Summary

Profit & Loss Account

(Rs mn)

Year-end: March	FY17	FY18	FY19E	FY20E
Net sales	46,252	45,575	46,786	51,863
<i>Growth (%)</i>	24.6	(1.5)	2.7	10.9
Operating expenses	(37,397)	(37,383)	(37,531)	(41,501)
EBITDA	8,855	8,192	9,255	10,362
<i>Growth (%)</i>	21.3	(7.5)	13.0	12.0
Depreciation	(4,125)	(4,041)	(4,295)	(4,464)
EBIT	4,730	4,151	4,959	5,898
Interest paid	(1,410)	(1,182)	(1,384)	(1,194)
Other income	1,062	942	951	961
Pre-tax profit	4,381	3,911	4,526	5,665
Tax	(1,016)	(1,278)	(1,358)	(1,699)
<i>Effective tax rate (%)</i>	23.2	32.7	30.0	30.0
Minority Interest	6.6	6.4	-	-
Net profit	3,372	2,640	3,168	3,965
Adjusted net profit	3,372	2,640	3,168	3,965
<i>Growth (%)</i>	39.3	(21.7)	20.0	25.2
<i>Shares o/s (mn nos)</i>	510	510	510	510

Cash Flow Statement

(Rs mn)

Year-end: March	FY17	FY18	FY19E	FY20E
Pre-tax profit	4,381	3,911	4,526	5,665
Depreciation	(1,212)	4,844	4,295	4,464
Tax paid	(1,076)	(856)	(1,358)	(1,699)
Chg in working capital	(1,299)	(73)	255	(1,291)
Other operating activities	-	-	-	-
Cash flow from operations (a)	795	7,826	7,719	7,139
Capital expenditure	(2,188)	(2,632)	(2,761)	(2,761)
Chg in investments	1,584	(61)	(63)	-
Other investing activities	-	-	-	-
Cash flow from investing (b)	(456)	(2,753)	(2,824)	(2,761)
Equity raised/(repaid)	9,456	1,842	2,160	2,835
Debt raised/(repaid)	(3,115)	(3,455)	(3,000)	(3,000)
Dividend (incl. tax)	(947)	(1,008)	(1,008)	(1,131)
Chg in minorities	7	6	-	-
Other financing activities	-	-	-	-
Cash flow from financing (c)	5,400	(2,615)	(1,848)	(1,296)
Net chg in cash (a+b+c)	5,739	2,458	3,047	3,082

Balance Sheet

(Rs mn)

Year-end: March	FY17	FY18	FY19E	FY20E
Net fixed assets	44,672	42,460	40,925	39,222
Investments	1,064	1,124	1,187	1,187
Other non-curr assets	719	1,100	1,100	1,100
Current assets	15,048	18,287	19,542	21,331
Inventories	7,683	9,065	9,306	10,316
Sundry Debtors	3,817	4,778	4,904	5,437
Cash and Bank	276	474	1,360	1,608
Marketable Securities	49	109	109	109
Loans and advances	2,509	2,854	2,854	2,854
Total assets	61,504	62,971	62,753	62,840
Shareholders' funds	27,245	29,087	31,247	34,082
Share capital	5,096	5,096	5,096	5,096
Reserves & surplus	22,149	23,991	26,151	28,986
Total Debt	18,250	14,795	11,795	8,795
Secured loans	18,250	14,795	11,795	8,795
Other liabilities	1,657	2,132	2,132	2,132
Curr Liab & Prov	14,352	16,957	17,580	17,832
Current liabilities	14,145	16,819	17,441	17,693
Provisions	206	139	139	139
Total liabilities	34,259	33,884	31,507	28,758
Total equity & liabilities	61,504	62,971	62,753	62,840
Book Value (Rs)	53	57	61	67

Source: Company; IDBI Capital Research

Financial Ratios

Year-end: March	FY17	FY18	FY19E	FY20E
Adj EPS (Rs)	6.6	5.2	6.2	7.8
Adj EPS growth (%)	55.6	(21.7)	20.0	25.2
EBITDA margin (%)	19.1	18.0	19.8	20.0
Pre-tax margin (%)	9.5	8.6	9.7	10.9
ROE (%)	15.0	9.4	10.5	12.1
ROCE (%)	10.7	8.9	10.9	13.1
Turnover & Leverage ratios (x)				
Asset turnover (x)	0.8	0.7	0.7	0.8
Leverage factor (x)	2.7	2.2	2.1	1.9
Net margin (%)	7.3	5.8	6.8	7.6
Net Debt/Equity (x)	0.7	0.5	0.3	0.2
Working Capital & Liquidity ratio				
Inventory days	61	73	73	73
Receivable days	30	38	38	38
Payable days	17	16	22	22

Valuation

Year-end: March	FY17	FY18	FY19E	FY20E
PER (x)	9.7	12.3	10.3	8.2
Price / Book value (x)	1.2	1.1	1.0	1.0
PCE (x)	4.3	4.9	4.4	3.9
EV / Net sales (x)	1.1	1.0	0.9	0.8
EV / EBITDA (x)	5.7	5.7	4.6	3.8
Dividend Yield (%)	2.4	2.6	2.6	2.9



Notes

Dealing

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Key to Ratings Stocks:

BUY: Absolute return of 15% and above; **ACCUMULATE:** 5% to 15%; **HOLD:** Upto $\pm 5\%$; **REDUCE:** -5% to -15%; **SELL:** -15% and below.

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