

TRIDENT LTD.

TEXTILES

Q4FY18: Another disappointing quarter but worst is behind...

In Q4FY18, Trident Ltd. reported sales revenues of Rs 1,182cr (↓11% on annual comparison & ↑1% QoQ), EBIDTA of Rs 214cr (↓18% YoY & ↓ 8 QoQ) with EBIDTA margin at 18.1% (correction of 161 bps on annual comparison). Total comprehensive income was reported at Rs 58.5cr (↓ 41% YoY). The performance of the company for the whole of FY18 has been unsatisfactory. The sales declined by 2% but the PAT was down by 22% in FY18 when compared to FY17 due to underperformance of the textile division following the drop in orders from their overseas clients esp. the retail chains from US; the paper division has done remarkably well in the same period.

De-stocking at the end of clients has led to under utilization of capacities for last 2 quarters; growth is expected to return from Q1FY19. Given the cost advantage vis-à-vis their neighboring peers, Indian home textile suppliers enjoy the leadership, Trident being one of the beneficiaries.

CMP : Rs 63
Potential Upside : 40%

MARKET DATA

No. of Shares : 49.8cr
FV (Rs) : 10
Market Cap : Rs 3137cr
52-week High / Low : Rs 110/ Rs 67
Avg. Daily vol. (6mth) : 389,852 shares
Bloomberg Code : TRID IN
Reuters Code : TRIE.BO
BSE Code : 521064
NSE Code : TRIDENT

Valuation

- The company had operated at less than 50% of its rated capacity of bed and bath linen production units in FY18 and is expected to ramp up in FY19 as the order book visibility rises. We expect the growth to come in FY19 on back of expected rise in order book and concomitant capacity utilization. We have toned down our estimates by 5%/2% for FY19/FY20 respectively and revise our price target to Rs 88 and maintain a **BUY**.

Key Highlights

- The industry wide destocking seems to be abating; Trident reported sequential volume growth of 12% and 28% in bath and bedlinen segment respectively. The impact of rise in volumes is expected to be reflecting in sales of Q1FY19 onwards.
- Domestic home textile business grew by ~25% in FY18. Domestic home textile sales contributed 13% to the overall textile sales in FY18 vs 8% in FY17. Further pickup in domestic sales would help the company improve its capacity utilization.

FINANCIAL SUMMARY

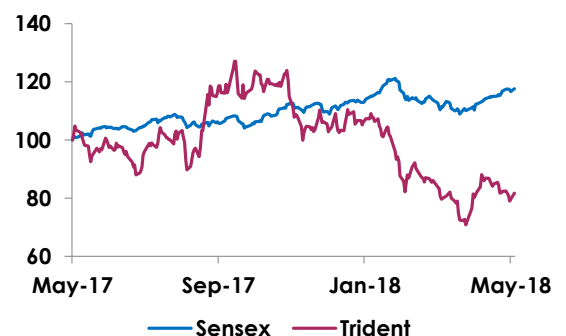
Y/E March (St)	Tot. Sales (Rs Cr)	Tot. Comp. Inc. (Rs Cr)	EPS (Rs)	Change (YoY %)	P/E (x)	RoE (%)	RoCE (%)	EV/EBITDA (x)	DPS (Rs)
2017	4,781	337	6.6	40.3	-	12.8	12.0	-	1.5
2018	4,664	264	5.2	(21.7)	-	9.2	10.9	4.8	1.5
2019E	5,187	380	7.5	44.0	8.4	12.3	13.7	3.7	2.5
2020E	5,656	448	8.8	17.9	7.2	13.3	15.4	3.1	3.0

Source: Company and Axis Securities

Key Drivers	FY17	FY18	FY19E	FY20E
Sales Growth (%)	26	(2.2)	12.8	9.3
PAT Growth (%)	39.3	(21.7)	44.0	17.9
EBITDA Margin (%)	20.7	19.6	20.3	20.3

Pankaj Bobade
pankaj.bobade@axissecurities.in

PRICE PERFORMANCE



Key Highlights (Cont'd)

- The bed linen has achieved break-even at EBIDTA level in Q3FY18; overall capacity utilization for bed linen reached 44% in FY18 and realization had improved in FY18. Going forward things are expected to improve as the utilization improves further; company expects 55% of capacity utilization in FY19 (as against 44% in FY18).
- The capacity utilization for bath linen was hit in FY18 due to the de-stocking undertaken by the US retailers; they are back in business indicating expected rise in procurement in FY19. Company expects around 55% of the bath linen capacity to be utilized in FY19 (as against 45% in FY18 and 50% in FY17)
- Cotton procurement for the 2018 season has come to an end with average cotton procurement price slightly below the last season (2017). Post implementation of GST, the duty draw back has been revised to 2.2% (from 7.5% earlier) and would now be eligible for input tax credit amounting to 3.5%; MEIS has been finalised at 4% of the value of exports with effect from Nov. 1, 2017 till June 30, 2018. Thus all-incentives taken together are neutral in pre & post GST regime.
- The capacity utilization was reported at 45% for bath linen, 44% for bed linen, 95% for yarn and 89% for paper production for FY18; looking at the rising interest from the US textile retailers, the management is looking forward of achieving the annual capacity utilization of 55% for bath linen and 55-60% for bed linen.
- Realizations were flat for paper division. Share of high margin copier paper in the overall paper volume at the end of FY18 was 48% as compared to 45% for FY17.
- Company has been deleveraging its balance sheet using the cash flows from the business and prudent capital allocation; the company has successfully repaid Rs 360 cr of LT debt. Going forward, the management has indicated that they have set target of reducing the total debt by Rs 400 cr in FY19 which includes high cost debt worth Rs 200 cr. At the end of FY18, the company has LT debt of Rs. 1688 cr and net debt of Rs 2620 cr on its books.

Results Update

(Rs. Cr)	Quarter ended					12 months ending		
	Q4FY18	Q4FY17	% Change (YoY)	Q3FY18	% Change (QoQ)	FY20E	FY19E	FY18
Sales	1,185	1,281	(8)	1,137	4	5634	5155	4570
Other Op. Inc	(3)	49.0	(106)	31.6	(109)	23	32	94
Total Revenue	1,182	1,330	(11)	1,169	1	5,656	5,187	4,664
Expenditure								
Net Raw Material	603	648	(7)	593	2	2715	2490	2283
Personnel	128	151	(16)	109	17	684	628	524
Purchase of traded goods	238	269	(12)	235	1	1111	1015	944
Other Exp	968	1068	(9)	937	3	4511	4133	3751
Total Expenditure	214	262	(18)	232	(8)	1,145	1,055	913
Oth. Inc.	0.0	0.0	NA	0.0	NA	0.0	0.0	0.0
Interest	27.7	32.1	(14)	25.2	10	93	104	118
Depreciation	98.2	101.0	(3)	101.3	(3)	430	423	404
Share of profit of Associates	0.0	0.0	NA	0.0	NA	0.0	0.0	0.0
PBT	88	129	(32)	105	(16)	623	528	391
Tax	37.1	29.3	27	32.0	16	174	148	128
PAT	50.9	99.7	(49)	73.0	(30)	448	380	263
Other comprehensive income	7.6	0.0		8.8		0	0	1
Total Comprehensive Income	58.5	99.7	(41)	81.9	(29)	448.3	380.2	264.0
EPS (Rs.)	1.0	2.0	(49.0)	1.4	(30)	8.8	7.5	5.2

Source: Company and Axis Securities

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Axis Securities Limited, Corporate office: Unit No. 2, Phoenix Market City, 15, LBS Road, Near Kamani Junction, Kurla (west), Mumbai-400070,
Tel No. – 18002100808/022-61480808, Regd. off.- Axis House, 8th Floor, Wadia International Centre, PandurangBudhkar Marg, Worli,
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Tel No: 022-42671582.SEBI-Portfolio Manager Reg. No. INP000000654