

BSE SENSEX	S&P CNX
34,780	10,453
Bloomberg	TRID IN
Equity Shares (m)	498
M.Cap.(INRb)/(USDb)	32.7 / 0.4
52-Week Range (INR)	105 / 51
1, 6, 12 Rel. Per (%)	8/-10/-43
12M Avg Val (INR M)	72
Free float (%)	31.6

CMP: INR64
TP: INR83(+30%)
Buy

Firing on all cylinders

Well on track to meet full-year guidance

- Strong all-round beat:** TRID's revenue increased 24.2% YoY to INR13,915m (estimated INR12,121m) in 2QFY19. EBITDA margin expanded 730bp YoY to 22.8% (estimated 20.5%), driven by (1) operating leverage in both bed and bath linen, and (2) premiumization in bed linen. EBITDA adjusted for forex loss increased 83% YoY to INR3,169m (estimated INR2,485m). Adjusted PAT increased 194.5% YoY to INR1,489m (estimated INR936m). TRID has posted 10.3% growth in 1HFY19 with a margin expansion of 430bp. We expect the momentum to continue with a growth of 19.1% in 2HFY19 and a margin expansion of 50bp.
- Promising growth; here to sustain:** 2QFY19 was a promising quarter for the company as each segment surpassed the utilization levels of FY18. Bath linen attained a utilization of 53% in 2QFY19 v/s 45% in FY18 and bed linen attained a utilization of 61% in 2QFY19 v/s 44% in FY18. Going forward, management expects to achieve 60-70% utilization for both segments by FY20.
- Valuation and view:** TRID's bed linen and paper segment have continued their momentum with improving utilization levels. We were earlier cautious about the ramp-up of TRID's bath linen segment, as management had guided 55% utilization in FY19. However, the company is well on track to achieve its guidance with the segment registering 49% utilization in 1HFY19 (53% in 2QFY19). We raise our earnings estimates for FY19/20 by 17%/7% on the back of strong beat in 2QFY19. We expect 10%/32% revenue/PAT CAGR over FY18-20E. The stock has traded at 9x 1-year forward P/E over the last five years, and we value it at the same multiple on positive outlook and estimated RoE improving 460bp to 13.8% in FY20. Our TP of INR83 implies 30% upside. **Maintain Buy.**

Financials & Valuations (INR b)

Y/E Mar	2018	2019E	2020E
Net Sales	45.6	52.4	54.8
EBITDA	8.2	10.6	11.1
PAT	2.6	4.2	4.6
EPS (INR)	5.3	8.4	9.2
Gr. (%)	-21.8	59.6	9.5
BV/Sh (INR)	59.1	63.7	69.8
RoE (%)	9.2	13.7	13.8
RoCE (%)	6.0	8.8	9.5
P/E (x)	12.1	7.6	6.9
P/BV (x)	1.1	1.0	0.9

Estimate change

TP change

Rating change


Standalone - Quarterly Earning Model

Y/E March	FY18				FY19				(INR Million)			
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE	FY18	FY19E	FY19	Var (%)
Net Sales	11,658	11,205	10,937	11,850	11,312	13,915	13,033	14,116	45,650	52,376	12,121	15
YoY Change (%)	1.5	-2.4	-2.4	-6.1	-3.0	24.2	19.2	19.1	-1.5	14.7	8.2	
Total Expenditure	9,361	9,471	8,937	9,682	8,941	10,746	10,570	11,478	37,451	41,735	9,636	
EBITDA	2,297	1,734	2,000	2,168	2,371	3,169	2,463	2,638	8,199	10,641	2,485	28
Margins (%)	19.7	15.5	18.3	18.3	21.0	22.8	18.9	18.7	18.0	20.3	20.5	
Depreciation	1,023	1,022	1,013	982	944	917	1,156	1,115	4,040	4,132	960	
Interest	334	319	252	277	280	260	283	255	1,182	1,078	275	
Other Income	201	352	316	-29	85	98	99	112	840	394	50	
PBT before EO expense	1,141	746	1,050	880	1,232	2,090	1,123	1,380	3,817	5,826	1,300	61
Extra-Ord expense	-96	0	0	0	0	0	0	0	-96	0	0	
Forex (gain)/loss		-5			416	558			-5	974		
PBT	1,237	751	1,050	880	816	1,532	1,123	1,380	3,918	4,852	1,300	18
Tax	348	242	320	371	224	441	310	384	1,281	1,359	364	
Rate (%)	28.1	32.2	30.5	42.2	27.4	28.8	27.6	27.8	32.7	28.0	28.0	
Minority Interest & Profit/Loss of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	889	509	730	509	592	1,091	813	997	2,637	3,493	936	17
Adj PAT	820	506	730	509	894	1,489	813	997	2,565	4,192	936	59
YoY Change (%)	4.6	-36.9	-7.1	-48.9	8.9	194.5	11.4	95.9	-23.6	63.4	83.9	
Margins (%)	7.0	4.5	6.7	4.3	7.9	10.7	6.2	7.1	5.6	8.0	7.7	

E: MOSL Estimates

Sumant Kumar – Research Analyst (Sumant.Kumar@motilalosal.com); +91 22 3078 4702

Aksh Vashishth – Research Analyst (Aksh.Vashishth@motilalosal.com); +91 22 6129 1553

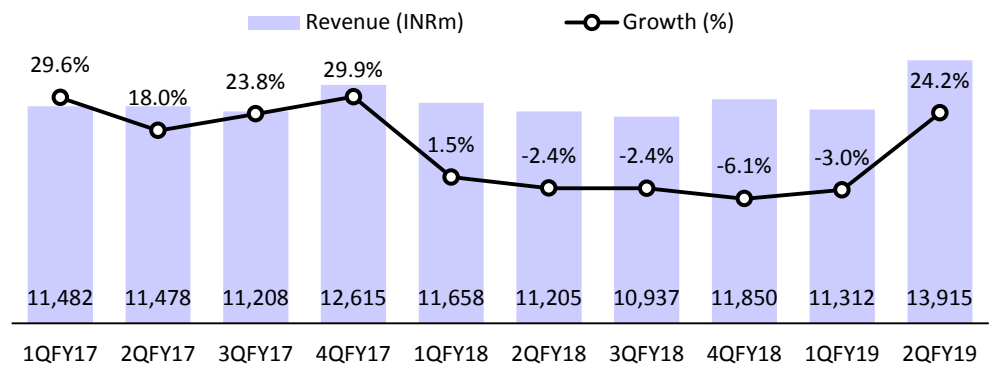
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Strong all-round beat

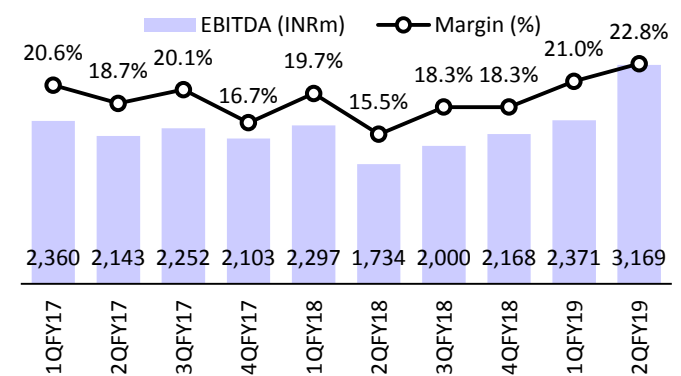
- TRID’s revenue increased 24.2% YoY to INR13,915m (estimated INR12,121m) in 2QFY19.
- EBITDA margin expanded 730bp YoY to 22.8% (estimated 20.5%), driven by lower raw material (-540bp to 46.6%) and employee (-150bp to 10.4%) costs.
- EBITDA adjusted for forex loss increased 83% YoY to INR3,169m (estimated INR2,485m).
- Adjusted PAT increased 194.5% YoY to INR1,489m (estimated INR936m). TRID reported forex loss of INR558m in 2QFY19, as against a forex gain of INR5m in the year-ago period. Tax rate declined to 28.8% from 32.2% in 2QFY18.
- Textiles segment grew by 24.6% YoY to INR11,433m, while Paper & Chemicals segment grew by 22% to INR2,484m. EBIT margin expanded by 950bp YoY to 13.6% (adjusting for forex loss) in Textiles and was flat YoY at 37.4% in Paper & Chemicals segment.
- Forex loss included MTM loss of INR235m on foreign currency forward contracts, which was adjusted from results of the Textile segment.

Exhibit 1: Revenue growth trend



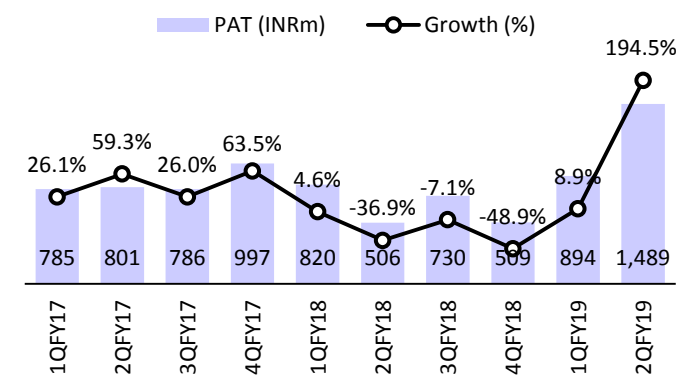
Source: Company, MOSL

Exhibit 2: EBITDA trend



Source: Company, MOSL

Exhibit 3: PAT trend



Source: Company, MOSL

Going from strength-to-strength in bed linen

- Bed linen volumes witnessed a stellar growth of 32.5% YoY with premiumization of products driving margins. Sales grew by 44% YoY in 2QFY19.
- The segment registered its highest utilization rate of 61% in 2QFY19 (58% in 1HFY19) compared to 44% in FY18.
- Management has guided to achieve a utilization of 60-70% by FY20 for the segment.
- Going forward, we expect the segment to deliver revenue CAGR of 32% over FY18-20E.

Bath linen gets back on track

- Bath linen segment witnessed a revival in the second quarter with the business posting a sales growth of 30% YoY and a volume growth of 29.6% YoY in 2QFY19.
- The segment's utilization level too inched upwards to 53% in 2QFY19 (49% in 1HFY19) compared to 45% in FY18.
- Going forward, with the increased pace of re-stocking, management expects the segment's utilization to reach 60-70% by FY20.
- We expect the segment to deliver revenue CAGR of 15% over FY18-20E.

Improved growth in paper

- Paper segment registered a growth of 22% YoY to INR2,484m in 2QFY19.
- The capacity utilization improved marginally to 90% in 2QFY19 from 89% in FY18 and 87% in 1QFY19. Margins; however, remained flat YoY at 37.4%.
- Multiple factors aiding the surge in demand of paper are:
 - Increasing demand of cut-size copier paper, which witnessed a growth of 12% in FY18 to 1.07MMTPA
 - Reduction in imports of WPP segment considering surge in the global market demand, thereby leading to a decrease in volumes to India
 - Post China shutting down its paper mills, demand for paper in China has led to shortage globally
- Going forward, management expects demand to further increase at the start of the publishing season in India (2HFY19)
- We expect the segment to deliver revenue CAGR of 4% over FY18-20E

Highlights from press release

- Overall growth was largely driven by a volume-jump in the home textile business and growth in realizations in the bed linen segment.
- The arrival of cotton this season was delayed by 15-20 days. Acreage in the 2018-19 season is ~2% lower than in 2017-18. Further, it's likely that the crop in Maharashtra could be infected by pink ball worm; however, as of now the situation is under control.
- The company takes forward covers for a maturity up to 6-12 months. In case of bath linen, hedging is done on monthly rolling basis at 40-60% of sales replenishment, and in case of yarn/paper, hedging is done on an order-to-order basis. For 2HFY19, the average forward hedged rate is INR71-73/USD.
- 1HFY19 has witnessed a spike in trade receivables (+INR2,040m) largely because of higher sales revenue in 2QFY19 and end dispatches, for which receivables should come in the next quarter.
- The capex guidance has been maintained at INR1,000m per year. Revenue guidance stands at 10-15% growth with margins in the range of 18-22%.
- Post US-China trade war, Chinese spinners have gradually shifted from US cotton and are focusing on Brazilian, Indian and Australian cotton. This could increase Indian cotton prices—getting it on par with global prices.
- Management expects a sizable increase in Indian cotton purchases by Chinese spinners, and if Indian cotton exports cross 5m bales, Indian cotton prices would tighten.
- Gross debt has come down by INR2,710m from FY18 to INR25,270m now. Long-term debt has reduced by INR1,600m in 1HFY19 to INR15,390m as at 30 September 2018. Net cash from operating activities stood at INR7,618m in 1HFY19.

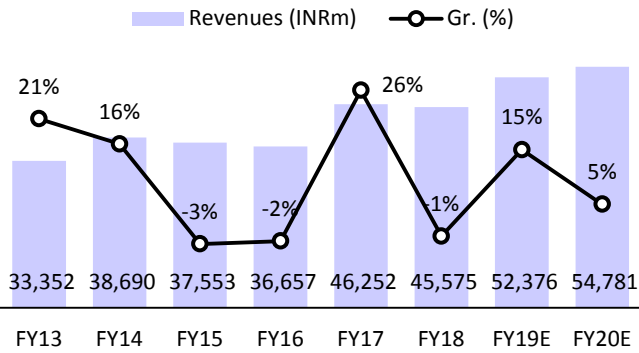
- The board has declared second interim dividend of INR0.60 per fully-paid share of INR10 each. With this, total dividend declared till now for 2018-19 is INR1.20 per share.

Valuation and view

TRID's bed linen and paper segment have continued their momentum with consistently improving utilization levels. We were earlier cautious about the ramp-up of TRID's bath linen segment, as management had guided 55% utilization in FY19. However, the company is well on track to achieve its guidance with the segment registering 49% utilization in 1HFY19 (53% in 2QFY19). We raise our earnings estimates for FY19/20 by 17%/7% on the back of strong beat in 2QFY19. We expect 10%/32% revenue/PAT CAGR over FY18-20E. The stock has traded at 9x 1-year forward P/E over the last five years, and we value it at the same multiple on positive outlook and estimated RoE improving 460bp to 13.8% in FY20. Our TP of INR83 implies 30% upside. Maintain **Buy**.

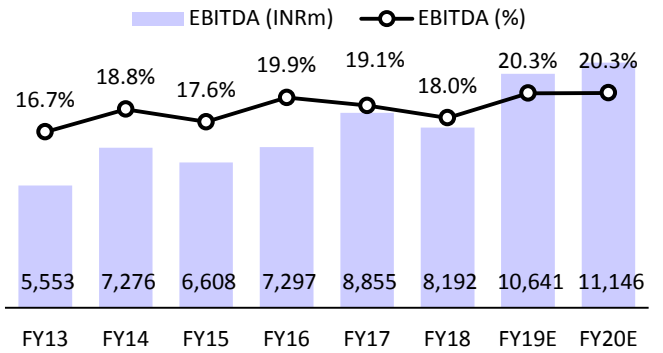
Story in charts

Exhibit 1: Revenues to post 10% CAGR over FY18-20E



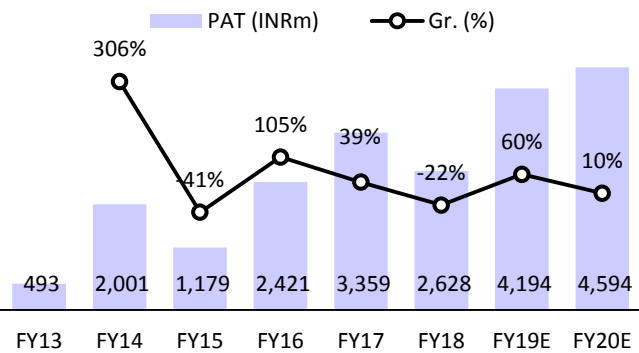
Source: MOSL, Company

Exhibit 2: Margins to expand 230bp over FY18-20E



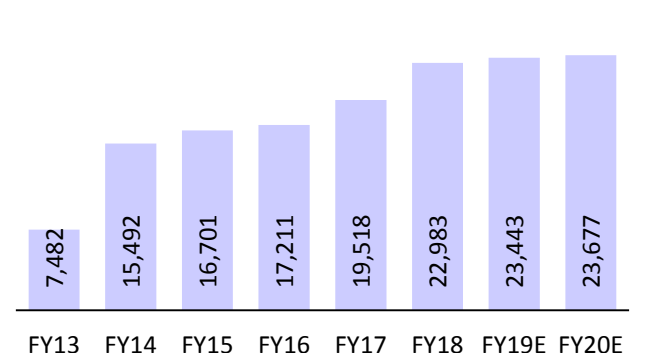
Source: MOSL, Company

Exhibit 1: Adj. PAT to post 32% CAGR over FY18-20E



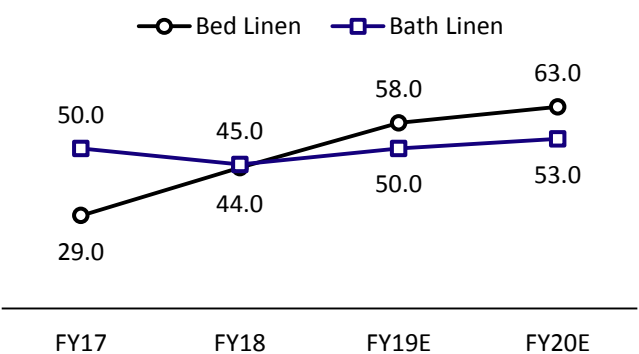
Source: MOSL, Company

Exhibit 2: EBITDA/MT in paper segment to remain steady



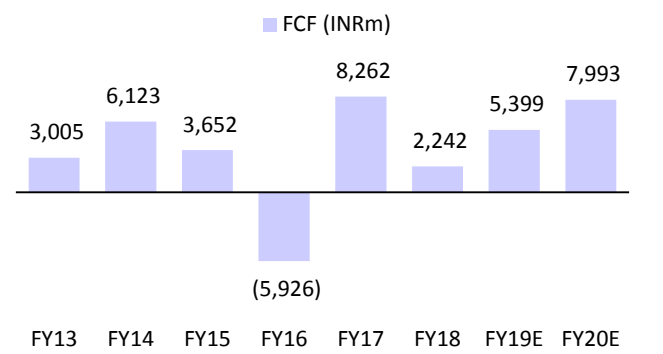
Source: MOSL, Company

Exhibit 3: Utilization levels to inch upward



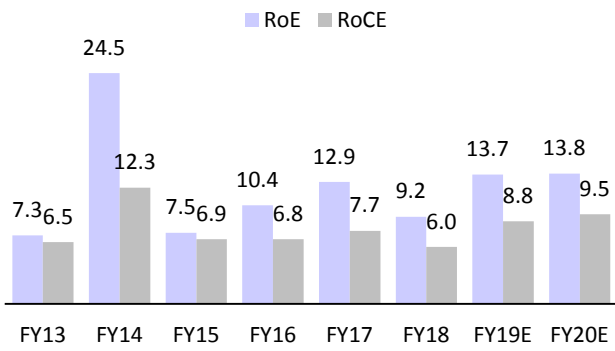
Source: MOSL, Company

Exhibit 4: Free cash flow generation to remain strong



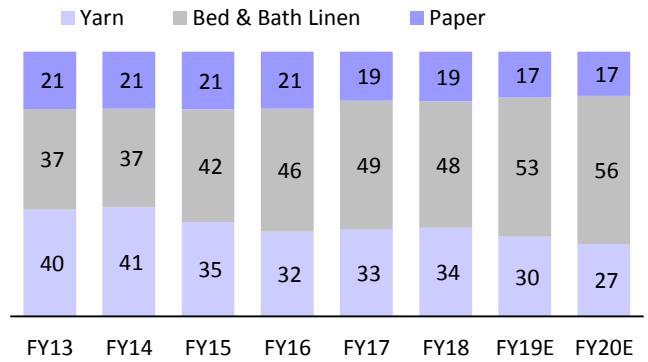
Source: MOSL, Company

Exhibit 5: Return ratios to remain healthy



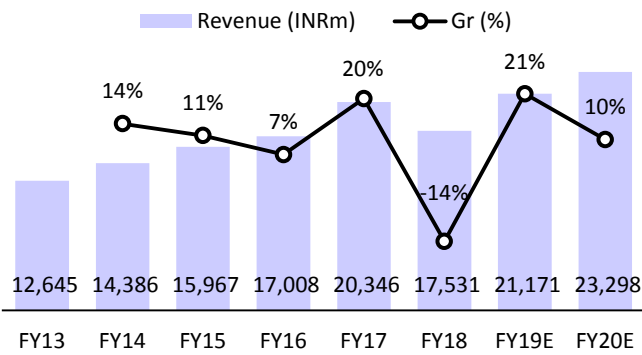
Source: MOSL, Company

Exhibit 6: Revenue mix (%)



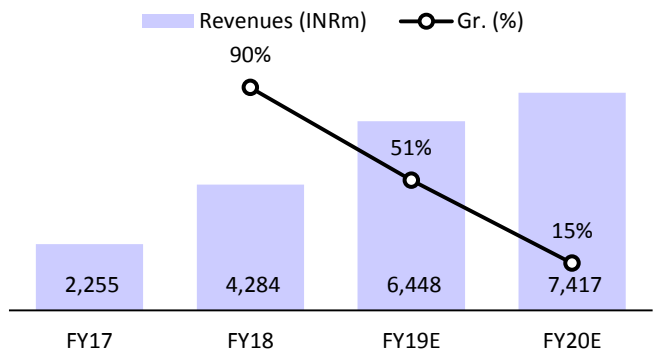
Source: MOSL, Company

Exhibit 7: Bath linen to post rev CAGR of 15% over FY18-20E



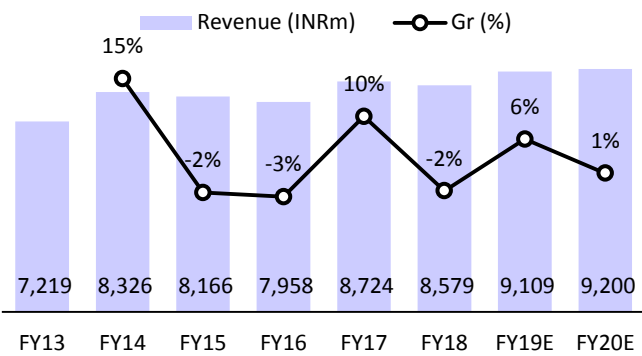
Source: MOSL, Company

Exhibit 8: Bed linen to post rev CAGR of 32% over FY18-20E



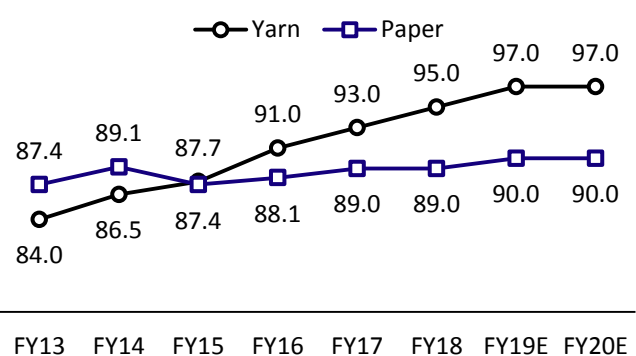
Source: MOSL, Company

Exhibit 9: Paper to post rev CAGR of 4% over FY18-20E



Source: MOSL, Company

Exhibit 10: Yarn and paper utilization to remain steady



Source: MOSL, Company

Financials and Valuations

Consolidated - Income Statement

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Total Income from Operations	33,352	38,690	37,553	36,657	46,252	45,575	52,376	54,781
Change (%)	22.1	16.0	-2.9	-2.4	26.2	-1.5	14.9	4.6
Raw Material Cost	18,415	20,521	19,309	17,287	22,307	22,829	26,395	27,481
Employees Cost	2,379	2,870	3,872	4,295	5,794	5,243	5,516	5,824
Other Expenses	7,005	8,023	7,766	7,778	9,296	9,310	9,824	10,330
Total Expenditure	27,799	31,414	30,946	29,359	37,397	37,383	41,735	43,635
% of Sales	83.3	81.2	82.4	80.1	80.9	82.0	79.7	79.7
EBITDA	5,553	7,276	6,608	7,297	8,855	8,192	10,641	11,146
Margin (%)	16.7	18.8	17.6	19.9	19.1	18.0	20.3	20.3
Depreciation	2,614	2,684	3,213	3,366	4,125	4,041	4,132	4,219
EBIT	2,939	4,592	3,395	3,931	4,730	4,151	6,510	6,927
Int. and Finance Charges	2,353	2,103	2,060	1,452	1,410	1,182	1,078	959
Other Income	224	163	345	334	1,062	942	394	412
PBT bef. EO Exp.	810	2,652	1,680	2,813	4,382	3,911	5,826	6,380
EO Items	0	0	0	0	0	0	974	0
PBT after EO Exp.	810	2,652	1,680	2,813	4,382	3,911	4,852	6,380
Total Tax	318	681	501	392	1,016	1,277	1,359	1,786
Tax Rate (%)	39.2	25.7	29.8	13.9	23.2	32.7	28.0	28.0
Share of profit/(loss) of associates	0	-30	0	0	7	6	0	0
Reported PAT	493	1,940	1,179	2,421	3,372	2,640	3,493	4,594
Adjusted PAT	493	2,001	1,179	2,421	3,359	2,628	4,194	4,594
Change (%)	-212.0	305.8	-41.1	105.4	38.7	-21.8	59.6	9.5
Margin (%)	1.5	5.2	3.1	6.6	7.3	5.8	8.0	8.4

Consolidated - Balance Sheet

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Equity Share Capital	3,108	3,111	5,086	5,094	4,979	4,978	4,978	4,978
Total Reserves	3,953	5,737	16,935	19,267	22,590	24,436	26,740	29,770
Net Worth	7,061	9,278	22,022	24,361	27,568	29,414	31,718	34,748
Minority Interest	0	0	0	0	0	0	0	0
Total Loans	22,398	18,623	26,505	34,427	28,498	28,192	24,192	20,429
Deferred Tax Liabilities	1,070	1,082	1,796	1,582	1,655	2,126	2,126	2,126
Capital Employed	30,530	28,983	50,323	60,369	57,721	59,732	58,036	57,302
Gross Block	34,056	34,858	57,087	70,389	70,988	72,281	74,194	75,377
Less: Accum. Deprn.	14,374	16,902	20,049	23,415	27,540	31,581	35,713	39,932
Net Fixed Assets	19,682	17,956	37,038	46,974	43,448	40,700	38,481	35,445
Capital WIP	281	363	1,989	571	1,232	1,766	853	671
Current Investments	25	301	1	1	49	109	0	0
Total Investments	639	1,152	180	723	1,054	1,151	1,151	1,151
Curr. Assets, Loans&Adv.	12,266	12,344	14,651	17,025	16,107	19,694	21,676	24,341
Inventory	6,911	6,429	7,482	9,065	7,747	9,226	10,762	11,256
Account Receivables	2,322	2,641	2,737	2,513	3,751	4,604	5,291	5,534
Cash and Bank Balance	336	250	144	819	1,326	1,665	798	2,504
Loans and Advances	2,698	3,024	4,289	4,627	3,282	4,199	4,825	5,047
Curr. Liability & Prov.	2,338	2,832	3,536	4,924	4,119	3,579	4,125	4,305
Account Payables	1,659	2,210	2,191	2,237	1,730	1,693	1,957	2,038
Other Current Liabilities	609	383	895	2,539	2,182	1,748	2,009	2,101
Provisions	71	239	450	148	207	139	160	167
Net Current Assets	9,928	9,513	11,115	12,101	11,988	16,115	17,551	20,036
Appl. of Funds	30,530	28,983	50,323	60,369	57,721	59,732	58,036	57,302

Financials and Valuations

Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Basic (INR)								
EPS	1.0	4.0	2.4	4.9	6.7	5.3	8.4	9.2
Cash EPS	6.2	9.4	8.8	11.6	15.0	13.4	16.7	17.7
BV/Share	14.2	18.6	44.2	48.9	55.4	59.1	63.7	69.8
DPS	0.0	0.3	0.6	0.9	1.5	1.5	2.0	2.6
Payout (%)	0.0	8.1	28.9	22.6	27.1	34.0	34.0	34.0
Valuation (x)								
P/E			27.0	13.2	9.5	12.1	7.6	6.9
Cash P/E			7.3	5.5	4.3	4.8	3.8	3.6
P/BV			1.4	1.3	1.2	1.1	1.0	0.9
EV/Sales			1.6	1.8	1.3	1.3	1.1	0.9
EV/EBITDA			8.8	9.0	6.7	7.1	5.2	4.5
Dividend Yield (%)	0.0	0.4	0.9	1.4	2.4	2.3	3.1	4.1
FCF per share	6.0	12.3	7.3	-11.9	16.6	4.5	10.8	16.1
Return Ratios (%)								
RoE	7.3	24.5	7.5	10.4	12.9	9.2	13.7	13.8
RoCE	6.5	12.3	6.9	6.8	7.7	6.0	8.8	9.5
RoIC	6.1	12.1	6.3	6.4	6.5	5.1	8.5	9.2
Working Capital Ratios								
Fixed Asset Turnover (x)	1.0	1.1	0.7	0.5	0.7	0.6	0.7	0.7
Asset Turnover (x)	1.1	1.3	0.7	0.6	0.8	0.8	0.9	1.0
Inventory (Days)	137	114	141	191	127	148	149	150
Debtor (Days)	25	25	27	25	30	37	37	37
Creditor (Days)	33	39	41	47	28	27	27	27
Leverage Ratio (x)								
Current Ratio	5.2	4.4	4.1	3.5	3.9	5.5	5.3	5.7
Interest Cover Ratio	1.2	2.2	1.6	2.7	3.4	3.5	6.0	7.2
Net Debt/Equity	3.1	1.9	1.2	1.4	1.0	0.9	0.7	0.5

Consolidated - Cash Flow Statement

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
OP/(Loss) before Tax	811	2,652	1,680	2,766	4,382	3,911	4,852	6,380
Depreciation	2,614	2,684	3,213	3,376	4,125	4,041	4,132	4,219
Interest & Finance Charges	2,310	2,028	1,939	1,230	1,410	1,182	1,078	959
Direct Taxes Paid	-113	-584	-347	-600	-1,016	-1,277	-1,359	-1,786
(Inc)/Dec in WC	-1,767	435	-977	-1,424	620	-3,788	-2,304	-779
CF from Operations	3,855	7,214	5,509	5,348	9,521	4,069	6,399	8,993
Others	-53	255	-68	-60	0	0	0	0
CF from Operating incl EO	3,803	7,469	5,441	5,288	9,521	4,069	6,399	8,993
(Inc)/Dec in FA	-797	-1,345	-1,789	-11,214	-1,259	-1,827	-1,000	-1,000
Free Cash Flow	3,005	6,123	3,652	-5,926	8,262	2,242	5,399	7,993
(Pur)/Sale of Investments	-83	-411	192	-250	-331	-98	0	0
Others	37	-58	396	132	695	0	0	0
CF from Investments	-844	-1,814	-1,200	-11,332	-895	-1,925	-1,000	-1,000
Issue of Shares	64	433	187	611	-115	0	0	0
Inc/(Dec) in Debt	-555	-4,062	-1,966	7,809	-5,929	-305	-4,000	-3,763
Interest Paid	-2,362	-2,106	-2,056	-1,367	-1,410	-1,182	-1,078	-959
Dividend Paid	0	-5	-486	-360	-915	-899	-1,190	-1,564
Others	0	0	-26	0	250	582	0	0
CF from Fin. Activity	-2,853	-5,740	-4,347	6,694	-8,119	-1,805	-6,267	-6,287
Inc/Dec of Cash	105	-86	-106	649	507	339	-868	1,706
Opening Balance	230	336	250	170	819	1,327	1,666	798
Closing Balance	336	250	144	819	1,327	1,666	798	2,504

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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