



CMP	64	Rating	BUY	Result (Rs.bn)	Q2FY19	Q1FY19	Q2FY18	Y/Y(%)	Q/Q(%)
Target	81	Upside	26%	Revenue	13.9	11.3	11.2	24.2%	23.0%
				EBITDA	3.2	2.4	1.7	82.7%	33.7%
				EBITDA(%)	22.8	21.0	15.5	+730bps	+182bps
				PAT	1.1	0.6	0.5	1.1x	84.3%
				PAT(%)	7.8	5.2	4.5	3.3%	2.6%
				EPS	2.1	1.2	1.0	1.1x	84.3%

**Strong double digit growth led by highest ever volume growth in Home textile segment:** Trident Ltd reported a 24.2% YoY growth in revenue to 13.9bn. Revenue from textile segment (~82% of total revenue) rose 24.6% YoY to Rs 11.4bn while revenue from Paper & Chemical segment (~18% of total revenue) witnessed a 22.0% YoY growth to 2.5bn.

**Higher margins in textile segment led by reduced RMAT boosts OPM:** EBITDA grew 82.7% YoY to Rs 3.2bn while OPM expanded 730bps YoY to 22.8% on back of reduced RMAT (-538 bps YoY) and Employee Exp (-146bps YoY). EBIT for the textile segment grew 1.6x YoY to Rs 1.0bn while EBIT margin expanded by 463bps YoY to 8.8%. EBIT for the Paper segment grew 21.5% YoY to Rs 0.9bn while the EBIT margin remained flat at 37.4%.

**PAT growth driven by strong operating performance:** PAT grew 1.1x to Rs 1.1bn on back of strong operating performance. Lower Int Exp (-18.4% YoY to Rs 0.2mn) and Depreciation(-10.3% YoY to Rs 0.9mn) also positively impacted profitability.

STOCK DETAILS	
BSE Code	521064
NSE Code	TRIDENT
Market Cap (Rs.bn)	32.6
Sector/ Index	Textiles
Year End	March
52 w.High/Low	105/51
Avg monthly Turnover (Rs.Mn)	89.4
Shares in Issue (mn)	509.6
BSE Sensex	34316
NSE Nifty	10304

**About the company:** Trident Limited is the flagship company of the Punjab-based conglomerate Trident Group and manufactures textile products (terry towels, bed linen, cotton yarns, blended yarns among others), paper, chemical and energy. After commissioning its Budni unit, Trident became the largest terry towel manufacturer globally. To widen its product basket, the Company has embarked on becoming one of the major bed linen manufacturers in the country by installing 500 state-of-the-art looms at its Budni plant.

CONSOLIDATED FINANCIALS				
Rs in bn	FY17	FY18	FY19E	FY20E
Revenue	46.3	45.6	50.1	52.6
EBIDTA	8.9	8.2	9.9	10.7
EBIDTA(%)	19.1%	18.0%	19.7%	20.2%
PAT	3.4	2.6	3.9	4.5
PAT(%)	7.3%	5.8%	7.8	8.5
EPS (Rs.)	6.8	5.3	7.8	9.0
P/E (x)	9.6	12.3	8.2	7.1

Source: Company, Indsec Research

#### Key Takeaways:

**Highest ever volumes in Bed Linen and Bath Linen segment:** Revenue contribution for Bath & bed linen, Yarn and Paper segment stood at approx. 50%/31%/19% respectively for H1FY19.

**Bed linen:** In the textile space, Bed linen which forms a major part of textile revenues witnessed a 44% YoY (32.5% YoY volume growth). Production for the qtr stood at 6.63mn metres. **Bath linen:** This segment grew 30% YoY (29.6% volume growth). The production for Q2FY19 was 11864 metric tons. The company believes that the proximity of the Branding, Distribution and expanding team to the US market has contributed to volume growth and will help in sustaining the growth going ahead as well.

**Debt reduction:** During H1FY19, the company has reduced its long term debt by 1.6bn thereby resulting in 17% lower finance costs. Net debt stands at 6.2bn. Additionally the debt to equity ratio has also seen improvement from 0.9x in FY18 to 0.7x in H1FY19.

**Improvement in capacity utilization levels:** Bed linen capacity stood at 58% for H1FY19 vs 44% in FY18 while Towel facility also saw an increase in utilization levels from 45% in FY18 to 49% as on 30th Sept, '18. Capacity utilization levels for paper stood steady at 89%.

#### Valuation & View:

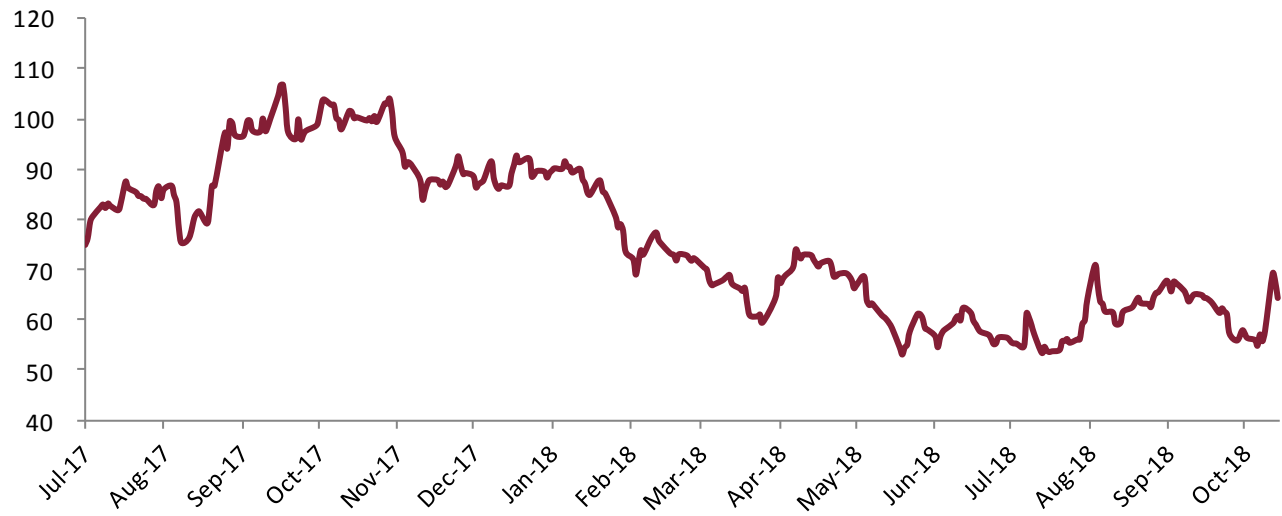
Trident Ltd has witnessed a phenomenal growth during the qtr with a 24.2% growth in Topline led by volumes after a subdued performance in the previous quarters given the de-stocking by large retailers in the US. Operating Margins have expanded exponentially by ~730bps to reach 22.8% during the qtr. Although rising cotton prices could affect margins going ahead, the captive utilization of yarn and setting up of captive power plant is expected to help reduce the impact of volatility in cotton prices to some extent. Additionally, improvement in capacity utilization levels and operational efficiencies have been witnessed during Q2FY19.

In order to factor in the strong comeback and recovery in volumes, we have upgraded our revenue estimates by 6.4%/4.4% for FY19E/FY20E. We expect margins to be at 19.7%/20.2% for FY19E/FY20E which is a 53/70bps increase in estimates on account of improvement in margins. Owing to the above, earnings estimates have increased by 15.9%/12.0% for FY19E/FY20E respectively.

We expect revenue to post a CAGR of 7.4% to Rs 52.6bn over FY18-FY20E. EBITDA is expected to grow at a CAGR of 14.0% to Rs 10.7bn while margins are to expand 227bps over the same period to 20.2%. PAT is expected to grow at a CAGR of 30.1% to Rs 4.5bn.

**At CMP of Rs 64, the stock is trading at 8.2x on FY19E earnings of Rs 7.8 (6.8) and 7.1x on FY20E earnings of Rs 9.0(8.0). We continue to assign a PE multiple of 9x on FY20E earnings of Rs 9.0, post which we arrive at a target of Rs 81, an upside of 26% from current levels. We assign an BUY call on the stock.**

### Stock Price movement from Initiation (4th July 2017) to 19th October, 2018





## SUMMARY INCOME STATEMENT

(in mn)	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Total Income	38,690	37,553	36,657	46,252	45,575	50,147	52,613
Cost Of Revenues (incl Stock Adj)	20,521	19,309	17,286	22,307	22,829	25,073	25,254
<b>Gross Profit</b>	<b>18,169</b>	<b>18,245</b>	<b>19,370</b>	<b>23,945</b>	<b>22,746</b>	<b>25,073</b>	<b>27,359</b>
Employee Cost	2,870	3,872	4,295	5,794	5,243	5,767	6,051
<b>Other Operating Expenses</b>	<b>8,023</b>	<b>7,766</b>	<b>7,778</b>	<b>9,296</b>	<b>9,310</b>	<b>9,436</b>	<b>10,658</b>
EBITDA	7,276	6,608	7,297	8,855	8,192	9,870	10,651
Other Income	163	345	334	1,062	942	953	1,000
<b>Net Interest Exp.</b>	<b>2,103</b>	<b>2,060</b>	<b>1,452</b>	<b>1,410</b>	<b>1,182</b>	<b>996</b>	<b>855</b>
Depreciation	2,684	3,213	3,366	4,125	4,041	4,250	4,415
Exceptional Items	0	0	0	0	0	0	0
<b>PBT</b>	<b>2,652</b>	<b>1,680</b>	<b>2,813</b>	<b>4,382</b>	<b>3,911</b>	<b>5,577</b>	<b>6,381</b>
Tax	681	501	392	1,016	1,277	1,673	1,914
Profit After Tax	1,971	1,179	2,421	3,366	2,634	3,904	4,466
<b>Net Profit</b>	<b>1,971</b>	<b>1,179</b>	<b>2,421</b>	<b>3,366</b>	<b>2,634</b>	<b>3,904</b>	<b>4,466</b>
EPS	3.8	2.3	4.8	6.8	5.3	7.8	9.0

## SUMMARY BALANCE SHEET

(in mn)	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
<b>Assets</b>							
Net Block	17,955.9	28,639.0	46,930.4	43,448.0	40,700.0	37,449.7	35,868.4
Capital WIP	276.9	1,993.0	571.3	1,097.6	1,760.8	5,500.0	3,666.7
Intangible Assets under development	85.9	225.9	43.9	134.0	5.0	5.0	5.0
Non-current Investment	886.8	112.0	721.6	1,004.9	1,042.5	1,042.5	1,500.0
Long term loans and advances	1,514.4	1,727.9	1,291.6	1,084.8	1,495.5	1,550.0	1,600.0
<b>Current Assets</b>							
Current Investment	300.5	196.5	1.1	48.9	0.0	0.0	0.0
Inventories	6,428.5	7,507.8	9,065.5	7,747.2	9,226.2	10,166.8	11,531.6
Trade receivables	2,641.4	2,033.3	2,512.7	3,750.9	4,604.2	5,083.4	5,765.8
Cash and cash equivalents	245.2	170.1	819.4	1,326.3	1,665.5	1,423.2	2,571.9
Short-term loans and advances	1,487.8	2,442.5	306.2	-	-	-	-
Other Current Assets	22.0	22.0	3,029.2	2,197.4	2,812.1	3,159.9	3,891.9
<b>Total Current Assets</b>	<b>10,824.9</b>	<b>12,175.7</b>	<b>15,733.0</b>	<b>15,021.8</b>	<b>18,307.9</b>	<b>19,833.2</b>	<b>23,761.3</b>
<b>Current Liabilities &amp; Provisions</b>							
Short-term borrowings	8,038.8	8,156.0	9,732.8	8,038.5	11,084.4	11,084.4	12,084.4
Trade payables	2,209.8	2,190.6	2,237.1	1,730.3	1,692.8	1,923.4	1,729.7
Other current liabilities	3,308.5	4,517.1	4,344.5	4,391.4	4,060.8	4,121.7	3,891.9
Short-term provisions	193.2	44.6	63.2	206.6	138.9	137.4	115.3
Total Current Liabilities	5,711.5	6,752.3	6,644.8	6,328.4	5,892.5	6,182.5	5,737.0
<b>Net Current Assets</b>	<b>5,113.4</b>	<b>5,423.4</b>	<b>9,088.1</b>	<b>8,693.4</b>	<b>12,415.4</b>	<b>13,650.7</b>	<b>18,024.3</b>
<b>Total Assets</b>	<b>26,133.8</b>	<b>38,317.7</b>	<b>58,648.0</b>	<b>55,511.7</b>	<b>57,419.2</b>	<b>59,197.9</b>	<b>60,664.3</b>
<b>Liabilities</b>							
Share Capital	3,110.9	5,086.4	5,093.7	4,978.8	4,978.3	4,978.3	4,978.3
Reserves and Surplus	5,767.9	9,467.1	19,267.3	22,589.6	24,436.0	28,339.8	32,806.2
<b>Total Shareholders Funds</b>	<b>8,878.8</b>	<b>14,553.5</b>	<b>24,361.0</b>	<b>27,568.4</b>	<b>29,414.3</b>	<b>33,318.1</b>	<b>37,784.4</b>
Money Received against warrants	430.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Debt</b>	<b>15,697.4</b>	<b>22,117.0</b>	<b>31,097.9</b>	<b>25,480.9</b>	<b>25,192.2</b>	<b>23,067.2</b>	<b>20,067.2</b>
Long Term Provisions	45.3	405.1	84.6	0.0	0.0	0.0	0.0
Other Long Term Liabilities	0.0	0.0	1,522.9	807.3	687.0	687.0	687.0
Net Deferred Tax Liability	1,082.3	1,242.1	1,581.7	1,655.1	2,125.7	2,125.7	2,125.7
<b>Total Liabilities</b>	<b>26,133.8</b>	<b>38,317.7</b>	<b>58,648.0</b>	<b>55,511.7</b>	<b>57,419.2</b>	<b>59,197.9</b>	<b>60,664.3</b>



## SUMMARY CASH FLOW STATEMENT

(in mn)	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
PBT	2,652	1,680	2,766	4,382	3,911	5,577	6,381
Depreciation & Amort., Total	2,684	3,213	3,376	4,125	4,041	4,250	4,415
After other adjustments	2,282	1,871	1,170	1,089	1,182	996	855
(Inc) / Dec in Working Capital	435	(977)	(1,424)	1,428	(3,794)	(1,532)	(3,275)
Taxes	(584)	(347)	(600)	(860)	(1,277)	(1,673)	(1,914)
Others							
<b>Cash from Ops.</b>	<b>7,468</b>	<b>5,441</b>	<b>5,288</b>	<b>10,163</b>	<b>4,064</b>	<b>7,618</b>	<b>6,461</b>
Capital Expenditure & investments	(1,735)	(1,429)	(12,001)	(1,777)	(1,953)	(4,739)	(1,457)
<b>Cash from Investing</b>	<b>(1,735)</b>	<b>(1,429)</b>	<b>(12,001)</b>	<b>(1,777)</b>	<b>(1,953)</b>	<b>(4,739)</b>	<b>(1,457)</b>
Issue of Share capital	3	187	611	3	(0)	-	-
Net Borrowings	(4,062)	(1,966)	7,809	(5,909)	(289)	(2,125)	(3,000)
Others	(1,676)	(2,056)	(1,367)	(1,357)	(727)	(996)	(855)
Issuance of Dividend	(5)	(486)	(360)	(895)	(893)	-	-
<b>Cash from Financing</b>	<b>(5,740)</b>	<b>(4,321)</b>	<b>6,694</b>	<b>(8,157)</b>	<b>(1,909)</b>	<b>(3,121)</b>	<b>(3,855)</b>
Extraordinary receipts/payment	-	-	-	-	-	-	-
<b>Net Change in Cash</b>	<b>(7)</b>	<b>(309)</b>	<b>(20)</b>	<b>229</b>	<b>202</b>	<b>(242)</b>	<b>1,149</b>
BF Cash	91	89	69	49	278	480	238
Cash from Merger	-	290			-	-	-
END Cash	<b>84</b>	<b>69</b>	<b>49</b>	<b>278</b>	<b>480</b>	<b>238</b>	<b>1,387</b>

## SUMMARY RATIOS

	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
<b><u>Profitability</u></b>							
Return on Assets	6.1%	2.6%	3.7%	5.5%	4.2%	6.0%	6.7%
Return on Capital	19.0%	10.2%	7.7%	10.9%	9.3%	11.7%	12.5%
Return on Equity	20.8%	8.1%	9.9%	12.2%	9.0%	11.7%	11.8%
<b><u>Margin Analysis</u></b>							
Gross Margin	47.0%	48.6%	52.8%	51.8%	49.9%	50.0%	52.0%
EBITDA Margin	18.8%	17.6%	19.9%	19.1%	18.0%	19.7%	20.2%
Net Income Margin	5.1%	3.1%	6.6%	7.3%	5.8%	7.8%	8.5%
<b><u>Short-Term Liquidity</u></b>							
Current Ratio	0.8x	0.8x	1.0x	1.0x	1.1x	1.1x	1.3x
Quick Ratio	0.3x	0.3x	0.4x	0.5x	0.5x	0.6x	0.7x
Avg. Days Sales Outstanding	25	20	25	30	37	37	40
Avg. Days Inventory Outstanding	61	73	90	61	74	74	80
Avg. Days Payables	21	21	22	14	14	14	12
<b><u>Long-Term Solvency</u></b>							
Total Debt / Equity	1.7x	1.5x	1.3x	0.9x	0.9x	0.7x	0.5x
EBITDA / Interest Expense	2.3x	1.8x	2.9x	4.1x	4.3x	6.6x	8.5x
<b><u>Valuation Ratios</u></b>							
EV/EBITDA	4.9x	8.2x	8.6x	6.4x	6.8x	5.4x	4.6x
PER	16.8x	27.6x	13.4x	9.4x	12.1x	8.2x	7.1x
P/B	2.1x	2.2x	1.3x	1.2x	1.1x	1.0x	0.8x

## INDSEC Rating Distribution

**BUY** : Expected total return of over 25% within the next 12 months.

**ACCUMULATE** : Expected total return between 10 to 25% within the next 12 months.

**REDUCE** : Expected total return below 10% within the next 12 months.

**SELL** : Expected total return is below the market return within the next 12 months.

**NEUTRAL**: No investment opinion on the stock under review.

## DISCLOSURE

### BUSINESS ACTIVITIES:

Indsec Securities and Finance Limited (ISFL) is a corporate member of BSE in Equity, WDM segment and of NSEIL in Equity, WDM, Futures & Options and Currency Derivative segments. ISFL is also a Depository Participant of the National Securities Depository Limited (NSDL) and a SEBI registered Portfolio Manager. ISFL has also secured membership of the MCX Stock Exchange in Currency Derivative Segment. With this setup ISFL is in a position to offer all types of services in the securities industry.

Since inception company's focus has been on research. In view of its research capabilities ISFL focused mainly on institutional business and is today empanelled with most of the local financial institutions, insurance companies, banks and mutual funds. ISFL has grown from being a medium size broking outfit to become one of the largest capitalized Indian broking company offering the complete range of broking services.

ISFL was incorporated on 28th July 1993 and doesn't have any associates/ subsidiaries. ISFL is a registered Portfolio Manager under SEBI (Portfolio Managers) Regulations, 1993 vide registration No. INP000001892.

### DISCIPLINARY HISTORY:

- No material penalties / directions have been issued by the SEBI under the securities laws, SEBI Act or Rules or Regulations made there under
- No penalties have been imposed for any economic offence by any authority.
- No material deficiencies in the systems and operations of the Company have been observed by any regulatory agency.
- There are no pending material litigations or legal proceedings, findings of inspections or investigations for which action has been taken or initiated by any regulatory authority against the Company or its Directors, principal officers or employees or any person directly or indirectly connected with the Company.

### DECLARATION:

- ISFL does not have any financial interest in the subject company (ies);
- ISFL does not have actual or beneficial ownership of 1 % or more in the subject company (ies);
- Directors may have actual or beneficial ownership of 1 % or more in the subject company (ies);
- ISFL does not have any material conflict of interest in the subject company(ies) at the time of publication of this document;
- ISFL has not received any compensation from the subject company (ies) in the past twelve months;
- ISFL has not managed or co-managed public offering of securities for the subject company (ies) in the past twelve months;
- ISFL has not received any compensation for investment banking or merchant banking or brokerage services or any other service from the subject company (ies) in the past twelve months;
- ISFL has not received any compensation or other benefits from the subject company (ies) or third party in connection with this document;
- None of the research analysts have served as an officer, director or employee of the subject company (ies);
- ISFL has not been engaged in the market making activity for the subject company (ies);

### GENERAL TERMS AND CONDITION/ DISCLAIMERS:

This document has been issued by ISFL and is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of security.

This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. However, we do not guarantee its accuracy and the information may be incomplete and condensed. Note however that, we have taken meticulous care to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any other employee of our company is in any way responsible for its contents. The Company's research department has received assistance from the subject company (ies) referred to in this document including, but not limited to, discussions with management of the subject company (ies). All opinions, projections and estimates constitute the judgment of the author as of the date of this document and these, including any other information contained in this document, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. While we would endeavor to update the information herein on reasonable basis, we are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent us from doing so.

Securities recommended in this document are subject to investment risks, including the possible loss of the principal amount invested. Any decision to purchase/sale securities mentioned in this document must take into account existing public information on such security or any registered prospectus. The appropriateness of a particular investment, decision or strategy will depend on an investor's individual circumstances and objectives. The securities, instruments, or strategies discussed in this document may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved).

This document is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject the company to any registration or licensing requirement within such jurisdiction. Further, this document is not directed or intended for distribution to the US taxpayers covered under US Foreign Account Tax Compliance Act (FATCA) provisions. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction

This is just a suggestion and the company will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Any comments or statements made herein are those of the analyst and do not necessarily reflect those of the company. No matter contained in this document may be reproduced or copied without the consent of the company. Any unauthorized use, duplication, redistribution or disclosure is prohibited by law and will result in prosecution. The information contained in this document is intended solely for the recipient and may not be further distributed by the recipient. The Company accepts no liability whatsoever for the actions of third parties.

The research analyst(s) of this document certifies that all of the views expressed in this document accurately reflect their personal views about those issuer(s) or securities. **Analyst's holding in the stocks mentioned in the Report:-NIL**



## CONTACT DETAILS

Management	Designation	Email ID	Direct No. (+91-22)
Nandkishore Gupta	Managing Director	<a href="mailto:ngupta@indsec.com">ngupta@indsec.com</a>	6114 6101/02
Research Team	Designation [Sectors Covered]	Email ID	Direct No. (+91-22)
Milan Wadkar	Head - Institutional Equities	<a href="mailto:milanw@indsec.co.in">milanw@indsec.co.in</a>	6114 6105
Hiral Keniya	Research Analyst (Auto, Auto Ancs & Midcap)	<a href="mailto:hiralk@indsec.co.in">hiralk@indsec.co.in</a>	6114 6116
Jimeet M. Shah, CFA	Research Analyst (Cap Good, Infra& Midcap)	<a href="mailto:jimeets@indsec.co.in">jimeets@indsec.co.in</a>	6114 6109
Kimberly Paes	Sr. Research Associate (FMCG, Textiles & Midcap)	<a href="mailto:kimberlyp@indsec.co.in">kimberlyp@indsec.co.in</a>	6114 6111
Ayush Jain	Research Associate (Banking, Pharma& Midcap)	<a href="mailto:ayushjain@indsec.co.in">ayushjain@indsec.co.in</a>	6114 6140
Malay Shah	Research Associate (Cement, IT & Midcap)	<a href="mailto:malays@indsec.co.in">malays@indsec.co.in</a>	6114 6115
Deepesh Panchawala	Technical Analyst	<a href="mailto:deepeshp@indsec.co.in">deepeshp@indsec.co.in</a>	6114 6138
Institutional Sales Team	Designation	Email ID	Direct No. (+91-22)
Parag Shah	Sales Trader	<a href="mailto:parags@indsec.co.in">parags@indsec.co.in</a>	6114 6133
Aashish Parekh	Asst. Sales Trader	<a href="mailto:aashishp@indsec.co.in">aashishp@indsec.co.in</a>	6114 6134

For additional information please contact: [research@indsec.co.in](mailto:research@indsec.co.in), or visit us at [www.indsec.co.in](http://www.indsec.co.in)

Indsec Securities & Finance Ltd, 301/302, "215 Atrium", "A" Wing, Andheri-Kurla Road, Chakala, Andheri (East), Mumbai - 400 093  
Telephone: +91 22 6114 6114 / 6114 6100, Fax: +91 22 6114 6180 / 86