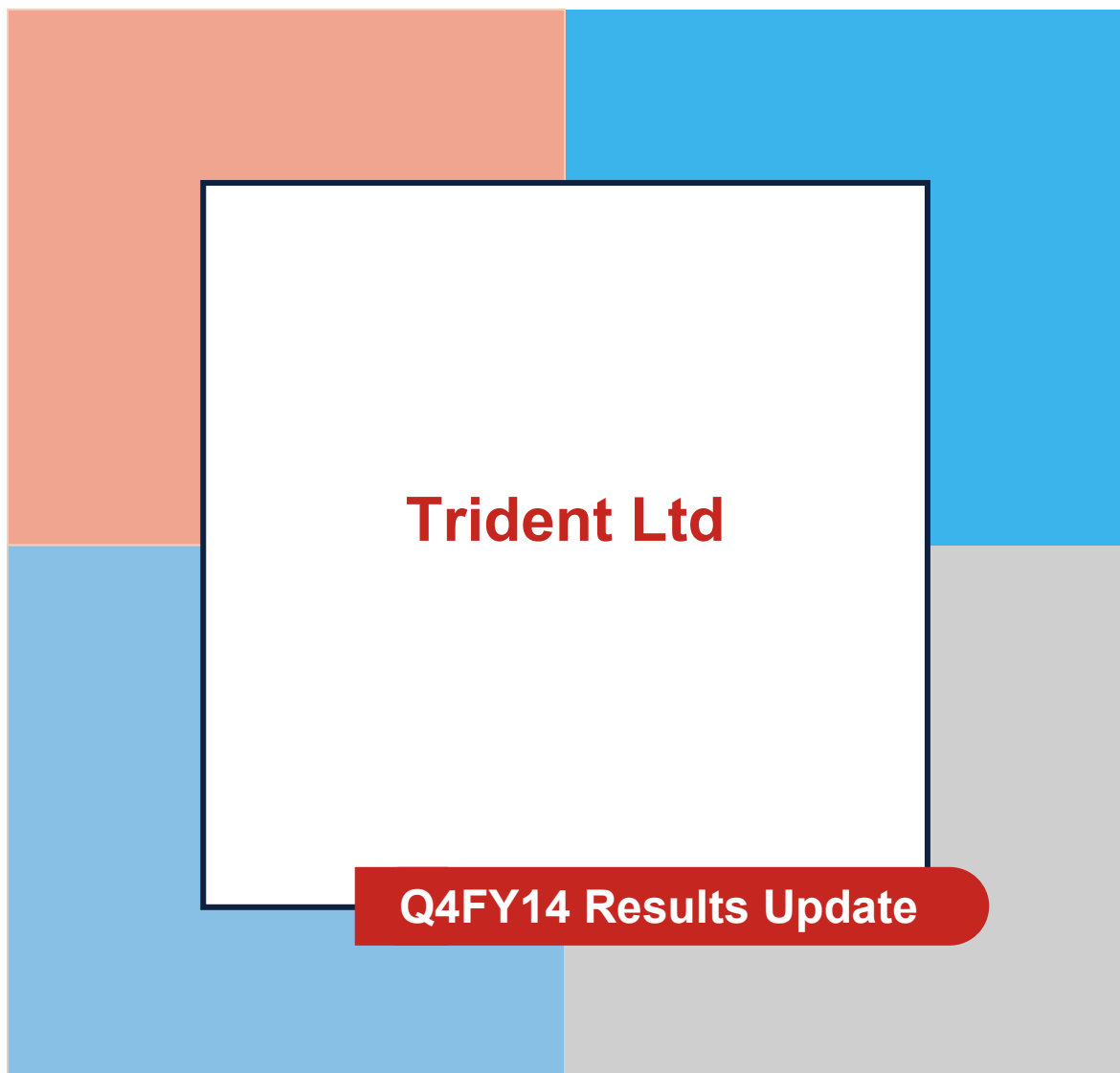


CRISIL IER Independent Equity Research



Trident Ltd

Q4FY14 Results Update

Enhancing investment decisions



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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Last updated: May, 2013

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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Fundamental Grade	3/5 (Good fundamentals)
Valuation Grade	4/5 (CMP has upside)
Industry	Textile & paper industry

Trident Ltd's Q4FY14 revenues were in line but earnings were below CRISIL Research's expectations. EBITDA margin contracted owing to sharp increase in cotton prices. Interest and finance cost declined 18% y-o-y. PAT slipped 10% y-o-y to ₹293 mn. Inventory days declined to 86 in FY14 from 98 in FY13 as the company stocked less cotton due to price rise. Debtor days remained stable at 25. We expect the towel and paper segments to perform well but the yarn segment is expected to face pressure owing to reduced demand of cotton yarn from China. We retain our fundamental grade of 3/5.

Healthy revenue growth y-o-y led by improvement in realisations

Revenues increased 11% y-o-y (down 3% q-o-q) to ₹9,902 mn led by growth in all the three segments - yarn, terry towel and paper. The yarn segment's revenues increased 14% y-o-y to ₹5.2 bn due to higher realisations (up 10% y-o-y); realisation was boosted by higher contribution from value-added yarn. The terry towel segment's revenues grew 11% y-o-y to ₹3.5 bn also due to better realisations (up 25.5% y-o-y); volumes declined 6% y-o-y owing to increased focus on value added products. The paper segment's revenues increased 12% y-o-y to ₹2.2 bn owing to 16.7% y-o-y growth in realisations; volumes dropped 4% y-o-y.

EBITDA margin declined due to high cotton prices, low margins from yarn and terry towel

Overall EBITDA margin declined 455 bps y-o-y to 15.5% owing to a sharp increase in cotton prices. The yarn segment's margin declined by 410 bps to 11.5% due to lower imports of yarn from China and the rise in cotton prices. Note that cotton prices in March 2014 rose ~7% y-o-y against ~4% y-o-y rise in yarn prices. Despite high realisations, the terry towel segment's margin contracted by 530 bps y-o-y. The contraction was due to (i) high cost overheads (production of test samples) resulting from increased focus on value added products and (ii) increase in yarn prices. However, the paper segment's margin remained stable at 25.6% as the increase in price of raw material (wheat straw) was offset by higher contribution from copier paper. Going forward, we expect margins to contract owing to (i) pressure in the yarn segment and (ii) softening of margins in the paper segment as domestic paper prices are expected to fall due to rupee appreciation. We estimate Trident's EBITDA margins at 18% for FY15 and 18.2% for FY16.

Merger of Trident Corporation Ltd with Trident Ltd completed; capacity expansion plans on track

In May 2014, Trident Corporation Ltd completed the merger with Trident Ltd. This increased Trident's terry towel capacity to 688 looms. Going forward, Trident has plans to further increase its presence in the home textile market and is setting up a capacity of 500 looms for manufacturing bed sheets along with a commensurate capacity in spinning to meet the yarn requirement. The unit is expected to become operational by FY16; we expect full benefits to accrue from FY17. In the paper segment the company has plans for debottlenecking to improve utilization rates of its paper facility which would support the margins. The company outlined a capex plan of ~₹16bn out of which ~₹1.5 bn has already been incurred.

Earnings estimates and fair value maintained

Our earnings estimates are broadly maintained. The discounted cash flow (DCF)-based fair value is unchanged at ₹26 per share. At the current market price of ₹21, our valuation grade is 4/5.

KEY FORECAST

(₹ mn)	FY12	FY13	FY14#	FY15E	FY16E
Operating income	27,993	33,947	38,840	48,841	56,613
EBITDA	3,139	5,673	7,428	8,791	10,324
Adj net income	-399	455	1,971	2,583	2,778
Adj EPS (₹)	(1.3)	1.5	6.3	6.0	6.4
EPS growth (%)	(142.6)	(212.1)	332.7	(5.8)	7.6
Dividend yield (%)	-	-	1.4	1.4	5.1
RoCE (%)	4.0	10.4	16.6	15.0	11.8
RoE (%)	(6.8)	6.7	24.1	21.0	17.0
PE (x)	(8.3)	5.1	3.3	3.5	3.3
P/BV (x)	0.5	0.3	0.7	0.6	0.5
EV/EBITDA (x)	8.3	4.3	3.3	4.6	4.5

NM: Not meaningful; CMP: Current market price; # Based on abridged financials

Source: Company, CRISIL Research estimates

For detailed initiating coverage report please visit: www.ier.co.in

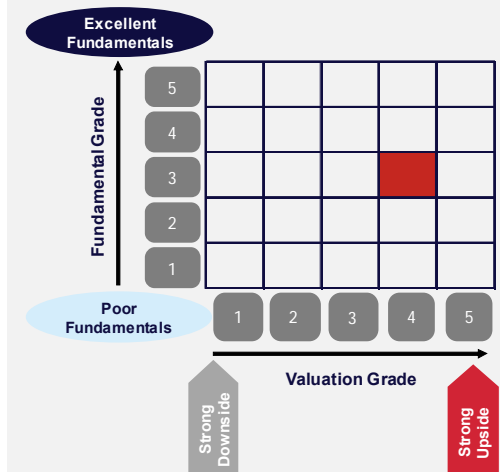
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June 05, 2014

Fair Value ₹26

CMP ₹21

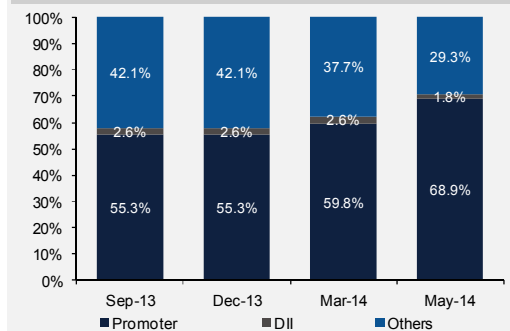
CFV MATRIX



KEY STOCK STATISTICS

NIFTY/SENSEX	7474/25019
NSE/BSE ticker	TRIDENT/TRIDENT
Face value (₹ per share)	10
Shares outstanding (mn)	447.0
Market cap (₹ mn)/(US\$ mn)	9,387/158
Enterprise value (₹ mn)/(US\$ mn)	27,520/463
52-week range (₹)/(H/L)	22/6
Beta	1.3
Free float (%)	31%
Avg daily volumes (30-days)	491,559
Avg daily value (30-days) (₹ mn)	8.7

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
Trident	14%	40%	28%	146%
CNX 500	15%	23%	25%	30%

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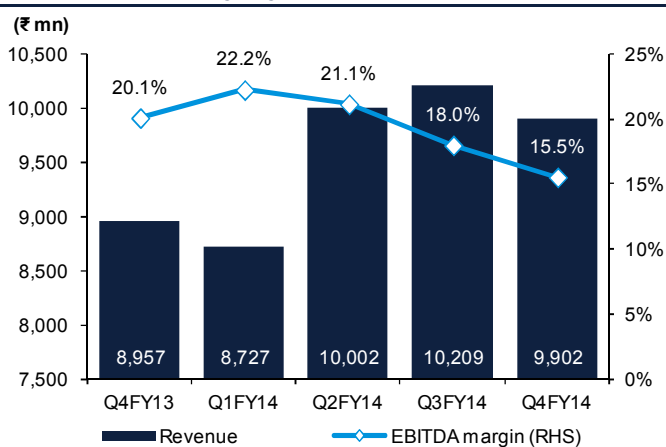
clientservicing@crisil.com

Q4FY14 results summary

(₹ mn)	Q4FY14	Q3FY14	Q4FY13	q-o-q	y-o-y	FY14	FY13	y-o-y
Net sales	9,902	10,209	8,957	-3%	11%	38,840	33,568	16%
Raw materials cost	5,533	5,500	4,890	1%	13%	20,520	18,416	11%
Raw materials cost (% of net sales)	55.9%	53.9%	54.6%	200bps	128bps	52.8%	54.9%	-4%
Employees cost	816	741	639	10%	28%	2,870	2,379	21%
Other expenses	2,016	2,132	1,630	-5%	24%	8,023	7,005	15%
EBITDA	1,537	1,836	1,798	-16%	-15%	7,428	5,769	29%
EBITDA margin	15.5%	18.0%	20.1%	-246bps	-455bps	19.1%	17.2%	194bps
Depreciation	640	676	660	-5%	-3%	2,684	2,614	3%
EBIT	897	1,160	1,138	-23%	-21%	4,744	3,155	50%
Interest and finance charges	479	513	586	-6%	-18%	2,103	2,353	-11%
Operating PBT	418	647	551	-35%	-24%	2,641	802	229%
Other income	3	2	2	20%	92%	11	9	24%
Extraordinary income/(expense)	-	-	-	-	-	-	-	-
PBT	421	650	553	-35%	-24%	2,651	811	227%
Tax	128	140	226	-9%	-43%	681	318	114%
PAT	293	509	327	-43%	-10%	1,970	493	300%
PAT margin	3.0%	5.0%	3.7%	-203bps	-69bps	5.1%	1.5%	360bps
No of equity shares (mn)	311.1	310.8	310.8	-	-	311.1	310.8	-
EPS (₹)	0.9	1.6	1.1	-43%	-11%	6.3	1.6	299%

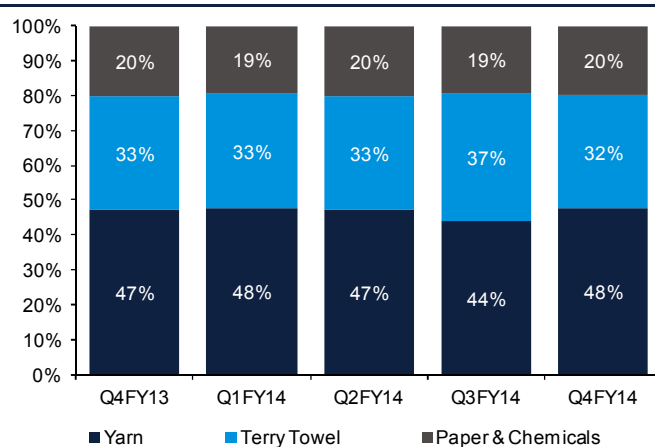
Source: Company, CRISIL Research

Revenues increased y-o-y



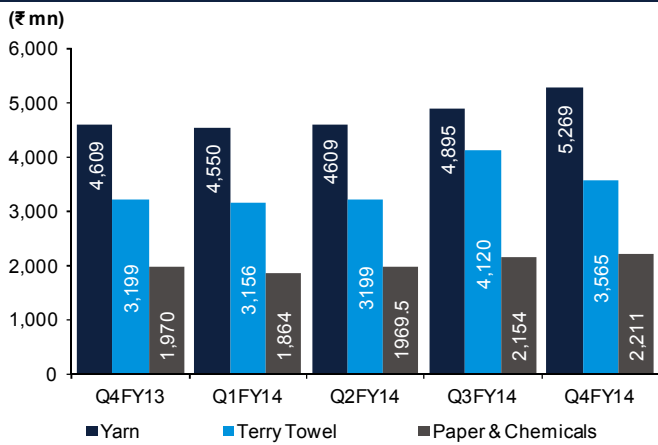
Source: Company, CRISIL Research

Product mix



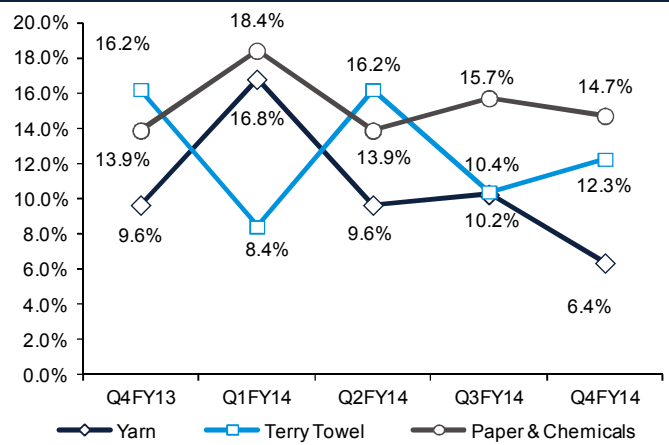
Source: Company, CRISIL Research

Segment-wise revenues



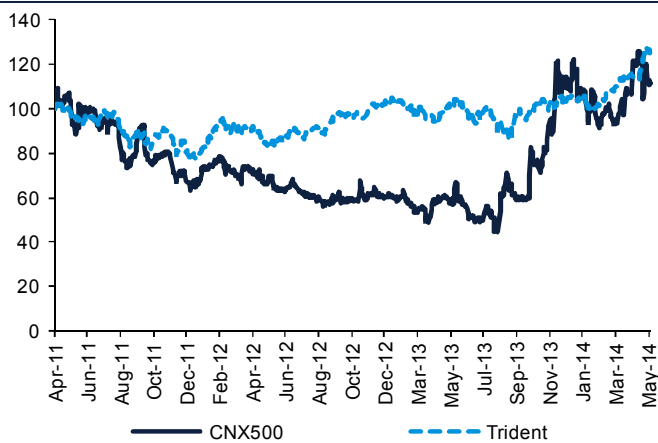
Source: Company, CRISIL Research

EBIT margin trend



Source: Company, CRISIL Research

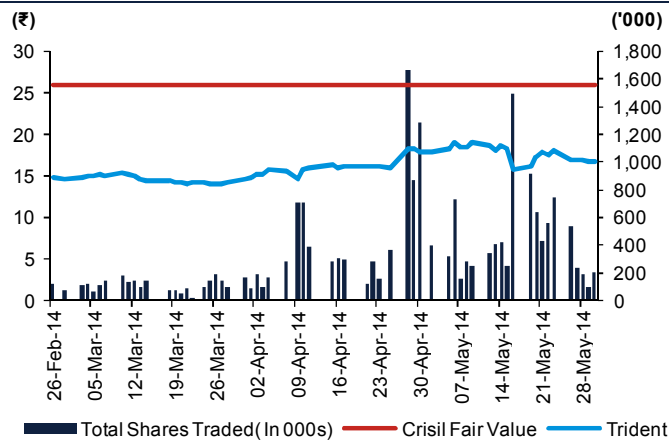
Share price movement



-Indexed to 100

Source: NSE, CRISIL Research

Fair value movement since initiation



Source: NSE, BSE, CRISIL Research

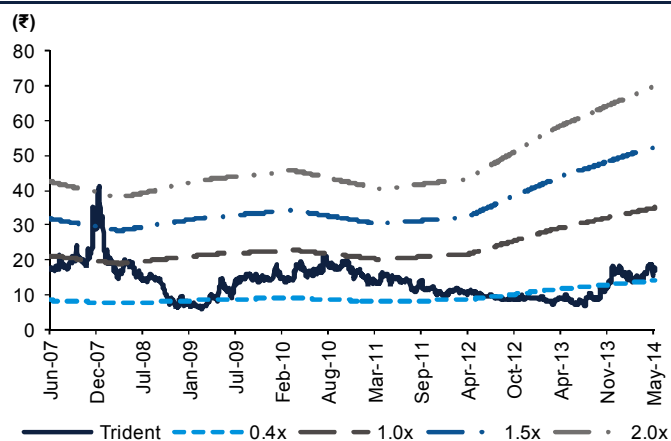
Valuation

Grade: 4/5

Fair value maintained at ₹26 per share

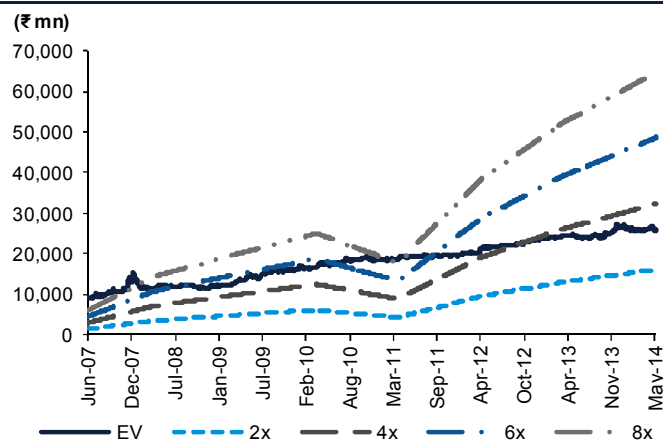
The DCF-based fair value is unchanged at ₹26 per share. At this fair value, the implied P/E multiples are 4.3x FY15E and 4.0x FY16E earnings. At the current market price of ₹21, our valuation grade is 4/5.

One-year forward P/B band



Source: NSE, CRISIL Research

One-year forward EV/EBITDA band



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
05-June-14	Q4FY14 result update	3/5	₹26	4/5	₹21

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