CRISIL RESEARCH

CRISIL IER Independent Equity Research

Trident Ltd

Initiating Coverage

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)

About CRISIL Limited

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CRISIL Research is India's largest independent and integrated research house. We provide insights, opinions, and analysis on the Indian economy, industries, capital markets and companies. We are India's most credible provider of economy and industry research. Our industry research covers 70 sectors and is known for its rich insights and perspectives. Our analysis is supported by inputs from our network of more than 4,500 primary sources, including industry experts, industry associations, and trade channels. We play a key role in India's fixed income markets. We are India's largest provider of valuations of fixed income securities, serving the mutual fund, insurance, and banking industries. We are the sole provider of debt and hybrid indices to India's mutual fund and life insurance industries. We pioneered independent equity research in India, and are today India's largest independent equity research house. Our defining trait is the ability to convert information and data into expert judgements and forecasts with complete objectivity. We leverage our deep understanding of the macroeconomy and our extensive sector coverage to provide unique insights on micro-macro and cross-sectoral linkages. We deliver our research through an innovative web-based research platform. Our talent pool comprises economists, sector experts, company analysts, and information management specialists.

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Last updated: May, 2013

Analyst Disclosure

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Trident Ltd

Diversified player

Fundamental Grade	**3/5 (Good fundamentals)**
Valuation Grade	**5/5 (CMP has strong upside)**
Industry	**Textile and Paper Industry**

February 24, 2014

Fair Value	**₹26**
CMP	**₹14**

Trident Ltd (Trident) is a diversified company present in the textile (80%) and paper (20%) industries. The profitability of Trident's textile business has improved driven by recovery in the key export market - the US, and a higher share of value-added products. Most of the current capacities are run at peak utilisation. The company is further expanding capacities in the textile segment to reap benefits from a better business outlook. As the expansion is largely debt funded, a sharp drop in current profitability can pose funding challenges. However, the company is at an advantageous position due to vertical integration, captive power and locational advantage of its Madhya Pradesh based units. Going forward, economies of scale, strong clientele and improvement in realisations due to high margin products should support growth. Project execution, volatility in margins and gearing levels are key monitorables. We initiate coverage on Trident with a fundamental grade of **3/5.**

Textile: Strong demand and improvement in profitability

Both the yarn and the terry towel segments have reported strong performance in 9MFY14. The yarn segment's profitability (EBIT) has improved to ₹1,996 mn in 9MFY14 (123% y-o-y) supported by robust demand for yarn from China and stable cotton prices. In the towel segment, the company is largely into exports with a strong client network including US-based Walmart and J C Penney. A revival in the US economy and the rupee depreciation are expected to support performance. Further, with the domestic home-textile industry estimated to grow at 9% in FY14, we expect Trident to record stable growth on this front too. The current expansion is expected to increase yarn capacity by 48%; the company is poised to introduce sheeting of 500 looms.

Paper division on steady ground; focus on copier paper to improve margins

Being an agro-based paper manufacturer, Trident is currently enjoying cost advantage vis-à-vis peers; Trident uses wheat straw as raw material, which is cheaper than wood. With increased utilisation (86% in 9MFY14) of installed paper capacity of 175,000 tpa and with the product mix inclined towards high-margin copier paper, we expect the paper division's revenues to improve due to better realisations and enhanced operational performance.

Risks: project execution, leverage and volatility in raw material prices, forex, high leverage

Trident has undertaken huge expansion plans. The timely execution of the projects remains a key monitorable. Also, as the projects are debt funded, sustainable business margins are critical for managing the gearing levels, which remain a key risk. Margins of the yarn and the paper segments have been volatile in the past. We expect gearing of 2.2x in FY16.

Revenues to grow at a three year CAGR of 18.4% to ₹56.6 bn in FY16

We expect Trident's revenues to grow to ₹56.6 bn in FY16 from ₹33.9 bn in FY13 led by improvement in demand, rupee depreciation and commissioning of new capacities. Consequently, we expect EBITDA margin to improve to 18.2% in FY16. We expect PAT of ₹2.79 bn for FY16. Gearing is expected to improve to 2.2x in FY16.

Current market price has strong upside

We have used DCF method to value Trident. Based on our estimates, the fair value of Trident is ₹26. At the current market price of ₹14, our valuation grade is **5/5**.

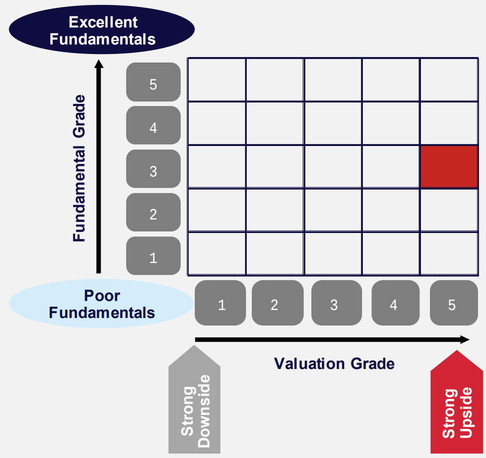
KEY FORECAST

(₹ mn)	FY12	FY13	FY14E	FY15E	FY16E
Operating income	27,993	33,947	38,779	48,840	56,614
EBITDA	3,139	5,673	7,756	8,791	10,324
Adj Net income	-399	455	2,189	2,613	2,796
Adj EPS-₹	(1.3)	1.5	7.0	6.0	6.5
EPS growth (%)	(142.6)	(212.1)	380.7	(14.2)	7.0
Dividend Yield (%)	-	-	-	2.1	7.7
RoCE (%)	4.0	10.4	16.8	14.2	11.5
RoE (%)	(6.8)	6.7	26.8	21.0	16.7
PE (x)	(8.3)	5.1	2.0	2.3	2.2
P/BV (x)	0.5	0.3	0.5	0.4	0.3
EV/EBITDA (x)	8.3	4.3	3.3	4.3	4.2

NM: Not meaningful; CMP: Current market price

Source: Company, CRISIL Research estimates

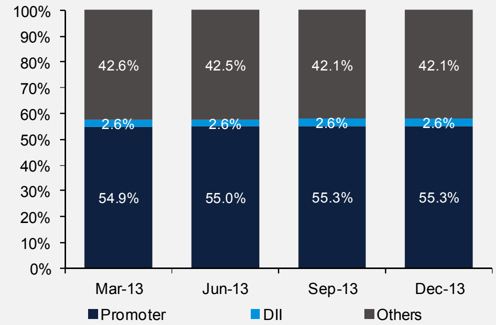
CFV MATRIX



KEY STOCK STATISTICS

NIFTY/SENSEX	6155/20701
NSE/BSE ticker	TRIDENT/TRIDENT
Face value (₹ per share)	10
Shares outstanding (mn)	311
Market cap (₹ mn)/(US$ mn)	4,352/70
Enterprise value (₹ mn)/(US$ mn)	25,855/416
52-week range (₹)/(H/L)	19.5/6.08
Beta	1.1
Free float (%)	44.7%
Avg daily volumes (30-days)	71,384
Avg daily value (30-days) (₹ mn)	3.32

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
Trident	-10%	1%	58%	66%
CNX500	-2%	-1%	12%	2%

ANALYTICAL CONTACT

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Table 1: Trident - Business environment

Parameter	Yarn	Terry towel (home textiles)	Paper
Revenue contribution (FY13)	**46%**	**34%**	**20%**
Geographic presence (by revenue share)	Domestic: 71% Exports: 29% (US, Europe, Australia)	Domestic: 7% Exports: 93% (US, Europe, Australia)	Domestic: 87% Exports: 13% (US, Europe, Australia)
Market position	Cotton yarn – among large players	Large player	Small player
Industry growth expectations (in volumes) for FY13-FY18E	Cotton yarn: 3.5-4.5% CAGR	9% CAGR	6-6.5% CAGR
Sales growth (FY09-FY13 CAGR)	**38%**	**14%**	**24%**
Demand drivers	■ Increase in direct yarn exports to China ■ Increased demand for RMG (Readymade garment)	■ Revival in the US economy ■ Changing lifestyle and increase in disposable income	■ Growth in education, increase in corporate spending on stationery to drive demand for writing and printing (W&P) paper
Key competitors	Vardhaman Textiles, Indocount, Alok Industries, Nahar Spinnings	Indocount Industries, Alok Industries, Welspun India	JK Papers, Tamil Nadu Newsprint and Papers Ltd, Ballarpur Industries
Margin drivers	■ Demand conditions ■ Cost of raw materials ■ Cost of substitute - polyster filament yarn (PFY)	■ Cost of raw materials ■ Demand conditions	■ Cost of raw materials ■ Demand conditions
Key risks	■ Volatility in prices of cotton and cotton yarn ■ Faces competition from unorganised players and other large players	■ Volatility in prices of cotton and cotton yarn	■ Volatility in prices of raw materials - wheat straw and pulp ■ Competition from big players such as JK Paper, Ballarpur Industries and West Coast Mills in the copier paper segment

Source: Company, CRISIL Research

Grading Rationale

Diversified player

During the past five years, the Trident group's flagship company, Trident (formerly known as Abhishek Industries Ltd), was on capacity expansion mode to gain economies of scale and optimise cost structures, which ensured a stable growth trajectory. Revenues grew at a CAGR of 26.3% over FY08-13, EBITDA expanded at 32% CAGR and PAT grew at 5.4% CAGR. Now Trident has moved on to the consolidation phase to lower debt levels given the weak macroeconomic scenario. It has increased its focus on value-added products, optimum utilisation of expanded capacities and debt reduction. We expect the yarn and terry towel segments (collectively 80% of revenues) to drive growth with support from the paper segment (20%). Going forward, profitability is expected to improve based on economies of scale, strong clientele and improvement in realisations. The high gearing of 3.2x as of FY13 due to largely debt-funded capacity expansion is a concern. However, it is expected to go down with the repayment of debt over FY14 and FY15.

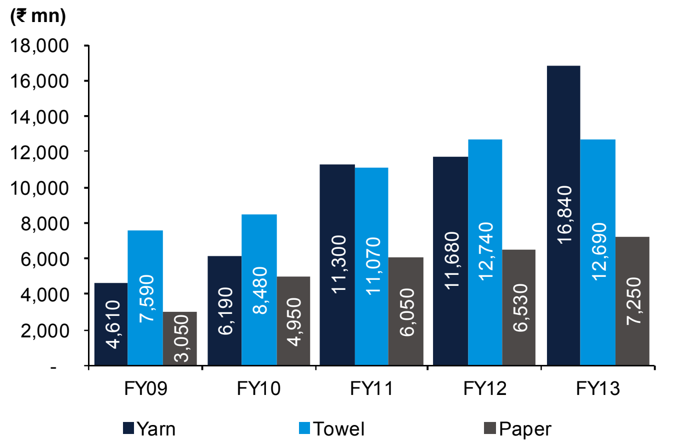
Diversified revenue streams - yarn, terry towel and paper; has a captive power plant too

Table 2: Capacities in different segments

Yarn	Terry Towels	Paper	Captive power	Chemicals
90000 tpa cotton & blended yarn	43,200 MT towels/year	175,000 tpa	50 MW	100,000 tpa sulphuric acid

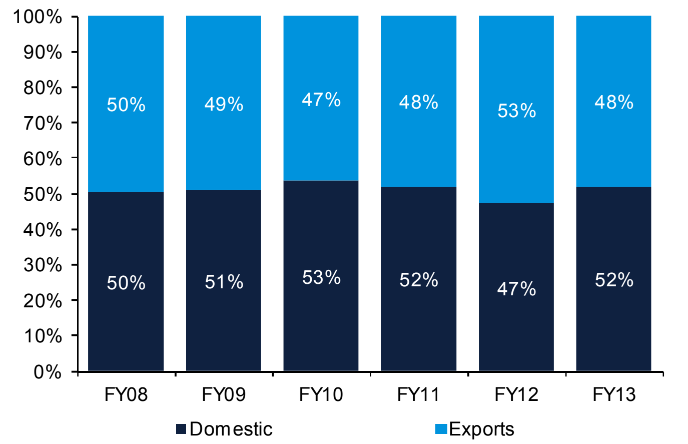
Source: Company, CRISIL Research

Figure 1: Segmental revenues over the past five years



Source: Company, CRISIL Research

Figure 2: Domestic exports sales mix



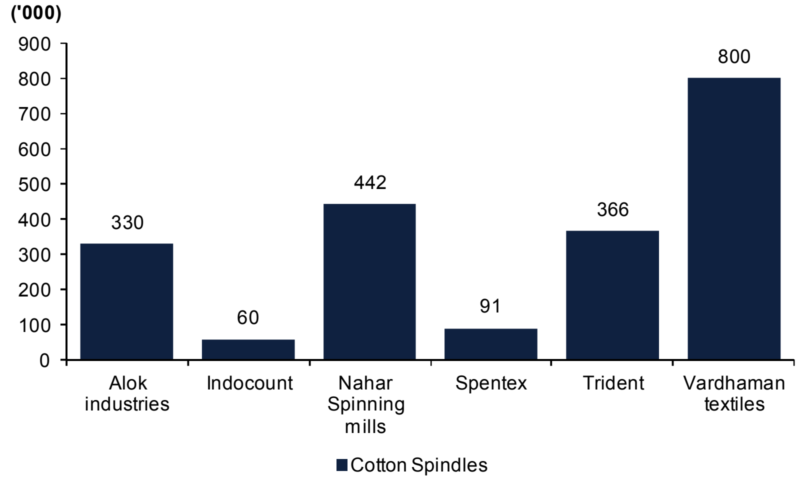
Source: Company, CRISIL Research

Growth to be led by yarn and terry towel segments

Yarn (46% of FY13 revenues)

Trident is one of the leading players in India's organised cotton yarn market and has ability to deliver large quantities of 8-80 counts of yarn. It is one of the large players capacity-wise compared to other cotton yarn players. Trident sells 75% of its cotton yarn and consumes the remaining ~25% to manufacture terry towels and bathrobes. The company has incorporated modern technology and automation to manufacture high quality yarn and has the flexibility to switch the production process between fine and coarse yarn varieties. With convenient access to prime business nodes and proximity to ports, it enjoys logistic benefits. It also enjoys longstanding relations with suppliers, ensuring easy access to cotton and, hence, is able to manufacture at full capacity.

Figure 3: Capacities of other cotton yarn players



Source: Company, CRISIL Research

Revenues from yarn segment recorded a five-year CAGR of 31% to ₹16.8bn in FY13

Over the past five years, Trident increased capacity in the yarn segment to 3.66 lakh spindles in FY13 from 1.26 lakh in FY08 to increase economies of scale. Consequently, revenues from this segment grew at a five-year CAGR of 31% to ₹16.8 bn in FY13, EBITDA grew at 31% CAGR, sales volumes increased by 63% y-o-y to ~65,000 MT and capacity per spindle increased to 232 kg (from 164 kg in FY12); the utilisation rate was 97.29% in FY13 as compared to 94.29% in FY12. For 9MFY14, the yarn segment's revenues increased 19% y-o-y to ₹14,516 mn led by improved demand and stable cotton prices. Also profitability (EBIT) increased 123% y-o-y to ₹1996 mn owing to focus on high value added products.

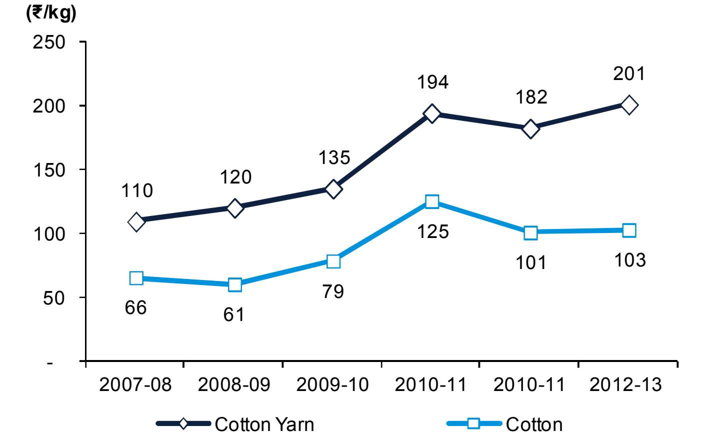
Table 3: Yarn segment's performance over FY09-13

	FY10	FY11	FY12	FY13
Revenue (₹ mn)	6,187	11,312	11,685	16,837
EBITDA (₹ mn)	785	1,891	569	2,444
EBITDA margins	13%	17%	5%	15%
RoCE (%)	4%	11%	-0.3%	9%

Source: Company, CRISIL Research

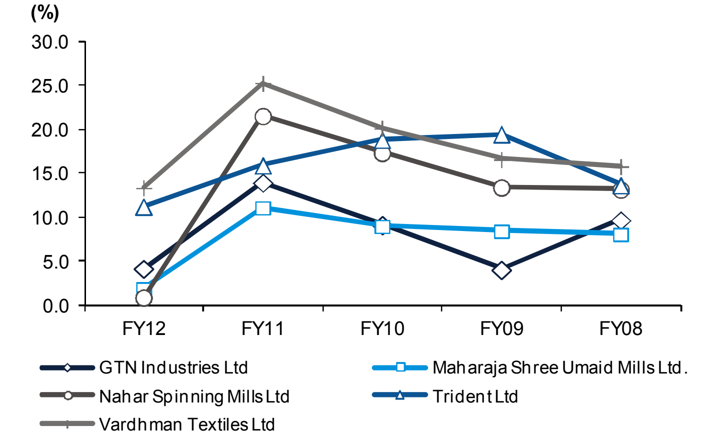
The basic raw material for yarn is cotton and cotton prices have been volatile in the past, which led to a sharp drop in the profitability margin in FY12. Realisations improved in FY13 as cotton yarn prices moved up. Consequently, Trident posted a high EBITDA margin of 15% in the yarn business in FY13.

Figure 4: Increase in cotton and cotton yarn prices in FY13



Source: Company, CRISIL Research

Figure 5: EBITDA margins of cotton yarn players



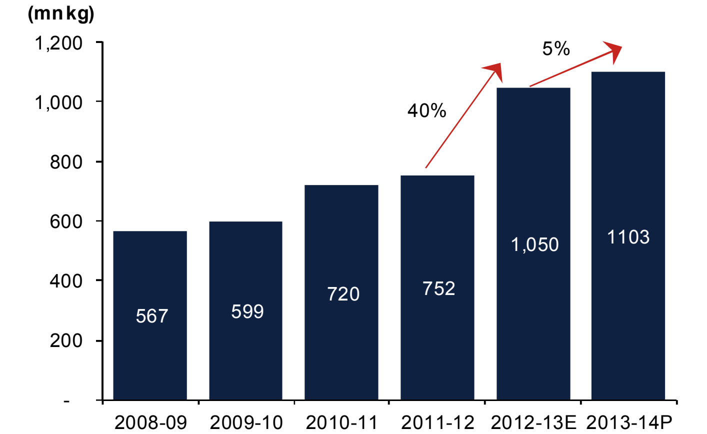
Source: Company, CRISIL Research

Cotton yarn demand recovered in FY13; expected to grow moderately in FY14…

Cotton yarn demand to grow by 3.5-4.5% volume-wise

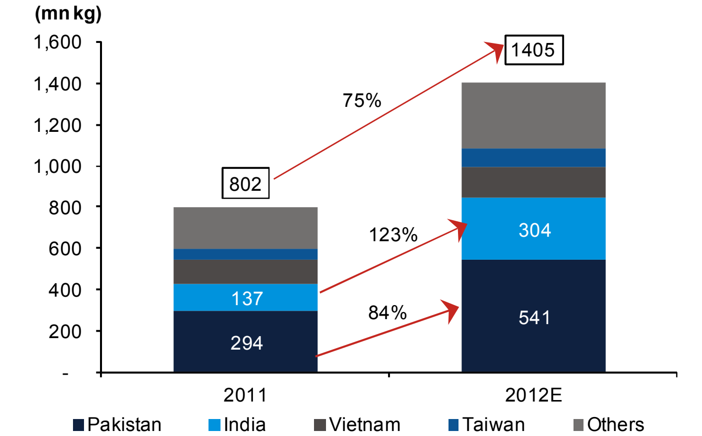
Cotton yarn demand grew by about 9% in 2012-13 after falling by 6% in 2011-12. The recovery in 2012-13 was a result of 40% increase (y-o-y) in cotton yarn exports. Going ahead, China is expected to remain India's key destination of direct yarn exports. High prices of cotton, coupled with high labour and power costs, have made spinning of certain coarse varieties uncompetitive for Chinese spinners. Thus, to fulfil the export orders for apparel and cater to a fast growing Chinese market, China's imports from India should be stable.

Figure 6: India's yarn exports on the rise...



Source: Company, CRISIL Research

Figure 7: …due to rise in China's cotton yarn import



Source: Company, CRISIL Research

In FY13, demand from India grew by about 3.5% on account of recovery in volumes from end-user industries. Favorable demographics and growing income levels of consumers in the domestic market provided strong growth opportunities for Indian textile players. In line with CRISIL Research's expectations of 3-4% growth in RMG demand in the domestic market, we expect the domestic demand for cotton yarn to grow at a similar pace of 3-4% in 2013-14.

… but short-term challenges for cotton yarn industry exist

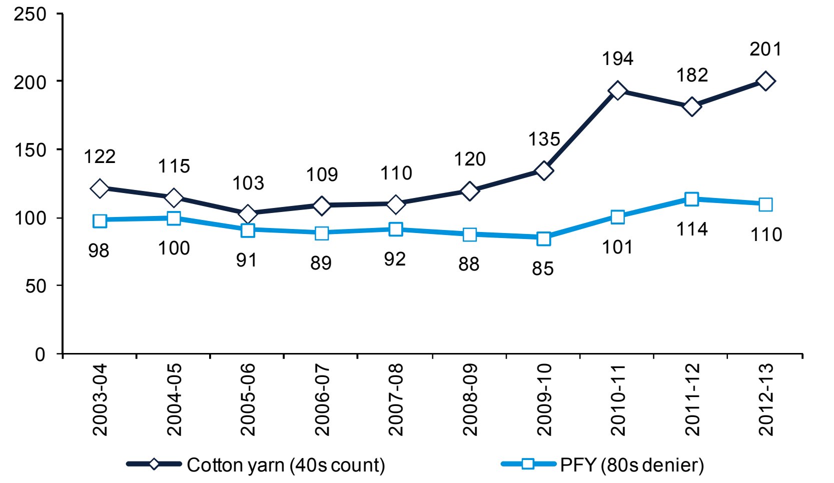
The cotton yarn industry is facing challenges such as subdued derived demand, rise in cotton prices and lower prices of polyster filament yarn (PFY) in FY13.

Subdued derived demand and competition from PFY – key challenges

Derived demand remained subdued in 2012-13 as apparel exports declined: Derived demand for cotton yarn remained subdued in FY13 on account of a slump in exports of RMG to major destinations (the US and EU account for 70% of India's apparel exports). Apparel exports to the US fell by 7% and EU by 15% on account of the economic slowdown in FY13.

PFY - a competitor of cotton yarn: As prices of cotton yarn rise, the segment has been facing increasing competition from PFY. The ratio of prices of cotton yarn to polyester filament yarn has increased sharply over the past three years. The rise in cotton yarn prices can lead to marginal shift from cotton-based clothing to blended and man-made fibre clothing, thus impacting the demand for cotton yarn.

Figure 8: Cotton yarn and PFY prices moving up

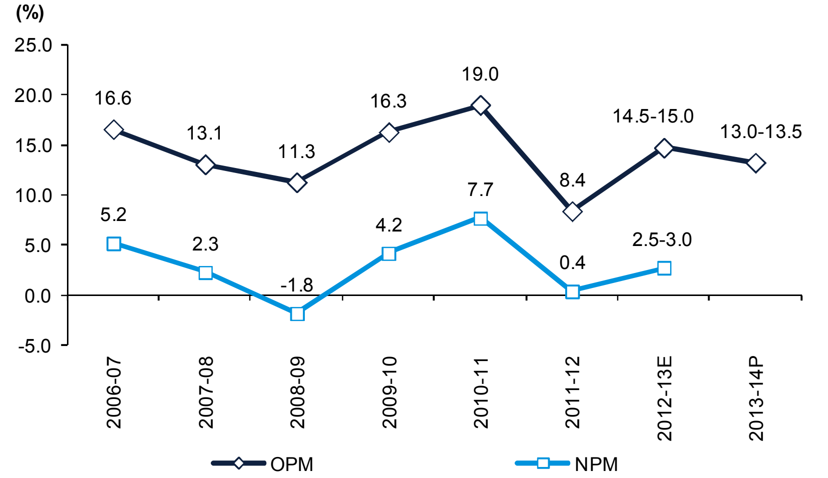


Source: Company, CRISIL Research

Operating margins increased in 2012-13; to contract marginally in 2013-14

In FY14, we expect cotton prices to increase by around 5-7% y-o-y led by declining stock levels resulting from lower production and higher demand. Given the moderate demand growth expected for cotton yarn, we believe that spinners will not be able to pass on the entire increase in cotton prices to fabric manufacturers. So, we expect yarn prices to increase only by 3-5% y-o-y in 2013-14, causing the margins of spinners to contract by 100-150 bps in 2013-14.

Figure 9: Operating and net margins of cotton yarn manufacturers



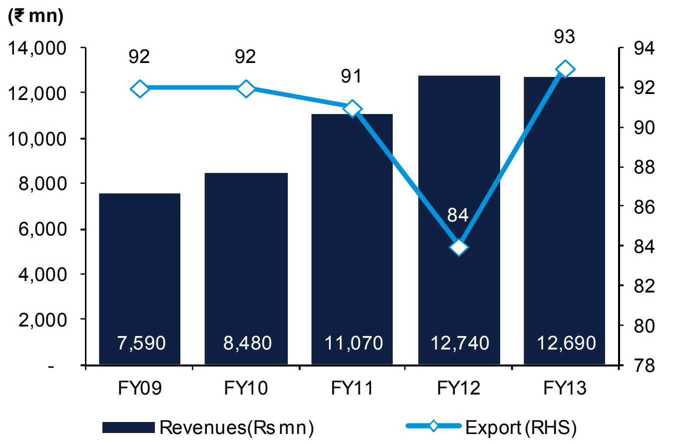
Source: Company, CRISIL Research

Terry towel (34% of FY13 revenues) – exports on the rise

The terry towel division, which started operations in 1999 with 68 looms, is poised to reap the benefits of rupee depreciation as this division is the largest export revenue generator for the company with 67% of total exports in FY13; exports accounted for 90%+ of terry towel revenues in FY13. High-end manufacturing technology not only enables it to manufacture high quality towels but also a wide variety of towels catering to some of the renowned global retailers such as US-based Walmart and J C Penney. Trident is a large terry towel manufacturer and competes with players such as Welspun and Alok Industries.

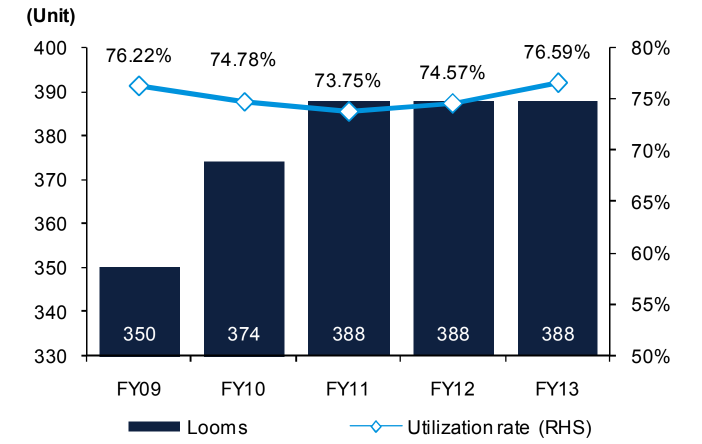
Terry towel segment- largest export revenue generator

Figure 10: Exports and revenue growth



Source: Company, CRISIL Research

Figure 11: Capacity and utilisation rates



Source: Company, CRISIL Research

Over FY09-13, revenues from this segment grew at a CAGR of 14%, EBITDA grew at 43% CAGR and realisations logged a CAGR of 11% to ₹411,532 per tonne in FY13. This division has also delivered better RoCE compared to the other two segments. For 9MFY14, revenues increased by 15% y-o-y to ₹10,904 mn largely led by improvement in realisations. Consequently, profitability (EBIT) increased by 74% y-o-y to ₹1,176 mn.

Table 4: Financial performance of towel segment

Terry towel segment	FY10	FY11	FY12	FY13
Sales revenue (₹ mn)	8,483	10,909	12,735	12,694
EBITDA (₹ mn)	2,047	1,400	1,853	1,757
EBITDA margin	24%	13%	15%	14%
RoCE	27%	14%	22%	19%
Asset Turnover	1.4	1.6	1.9	2

Source: Company, CRISIL Research

Going ahead, the terry towel segment is expected to record stable growth based on the following factors:

Abundant cotton: India is the second largest producer of cotton and a major net exporter of the same. Other major suppliers such as China, Pakistan and Turkey have higher cotton imports than exports. This puts India at an advantage against other major exporters in terms of raw material availability and cost.

Demand revival in US to boost exports

Demand revival in the US: With the revival in the US economy, purchase of home textiles is likely to increase. India's share in US exports has increased from 30% in FY09 to 36% in FY12. However, the euro zone remains depressed with contraction in sales volumes especially in Portugal, Italy, Ireland, Greece and Spain (PIIGS).

Domestic consumption to provide further impetus to growth: The domestic home textile market currently estimated at ₹17,000 cr is expected to grow at 9% annually to ₹40,000 cr by 2021 fuelled by factors including rising disposable income, growth in organised retail, increasing brand awareness, rapid urbanisation and increase in working age population. Trident plans to expand in the bed linen segment to increase revenue through cross-selling. Home textile includes bed linen products, towels, bathrobes, rugs, table linen and kitchen linen products.

De-risking from China and Pakistan

Cost advantage over China and Pakistan: China is currently reeling under domestic pressures - a) rise in domestic consumption, which is expected to impact its exports, b) power generation problems due to environmental concerns - the textile industry consumes a lot of power, c) rise in labour cost, which is increasing by 15-20% every year in the past few years, and d) currency appreciation, which has made Chinese exports less competitive. Customers are also concerned about the geopolitical situation in Pakistan. These factors have forced importers from China and Pakistan to look at alternative locations such as India.

Table 5: Profile comparison

Home textile	Alok	Indocount	Trident	Welspun
Terry towel	13,400 MT		43,200 MT	43,800 MT
Bed linen	105 mn mts pa	45 mn mts pa		52 mn mts pa
Rugs				10151 MT

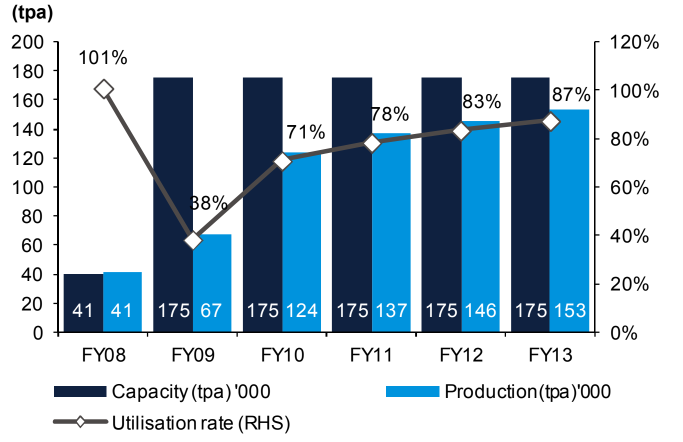
Paper (20% of FY13 revenues) - steady with cost advantages

The agro-based paper manufacturing business of Trident clocked a three-year CAGR of 13.4% over FY10-13. Trident manufactures paper mainly from wheat straw; the component of wheat straw varies from 60% to 90% of the total raw material depending on the quality of paper. Thus, Trident is currently enjoying cost advantages. Further, Trident being situated in Punjab, gets advantage of procuring wheat straw from nearby farmers, thereby reducing logistic costs. And with increased utilisations, we believe that paper division is a steady business.

Utilisation improved over the years…

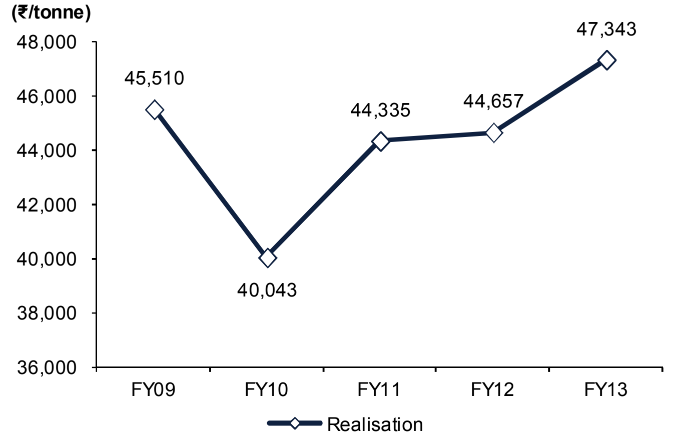
Trident has increased its installed capacity from 40,500 tpa in FY02 to 175,000 tpa in FY09. The company installed a new 134,500 tpa paper machine in FY09 to manufacture premium copier paper; following this, utilisation rates fell sharply to around 38.5% in FY09. Subsequently, with stability in operations, utilisation rates recovered to 71% in FY10 and to 87% in FY13.

Figure 12: Better utilisation rates



Source: Company, CRISIL Research

Figure 13: Average price realisations over the years



Source: Company, CRISIL Research

… leading to better revenues

Revival in demand for domestic paper and paperboard since 2009-10 coupled with the company improving its product mix has led to an improvement in realisations. Average paper realisations have risen by 6% y-o-y to ₹47,343 per tonne in FY13. With the increase in utilisation rates, sales from the paper division rose by 11% y-o-y in FY13 to around ₹7,247 mn. For 9MFY14, revenues increased by 16% y-o-y to ₹6,145 mn led by improved realisations due to focus on the copier segment. Profitability (EBIT) increased 29% y-o-y to ₹1,000 mn.

Improvement in realisations due to focus on high-margin copier paper

Table 6: Financial performance of the paper segment

Paper segment	FY09	FY10	FY11	FY12	FY13
Sales revenues (₹ mn)	3,050	4,951	6,055	6,534	7,248
EBITDA (₹ mn)	667	961	1,103	1,194	1,613
EBITDA margin	22%	19%	18%	18%	26%
RoCE	%	3%	5%	5%	17%

Source: Company, CRISIL Research

EBITDA margins declined over FY09-12 as the price of wheat straw almost doubled from ₹1,800 per tonne in FY09 to ₹3,600 per tonne in FY10 and to ₹4,000-5,000 per tonne in FY12.

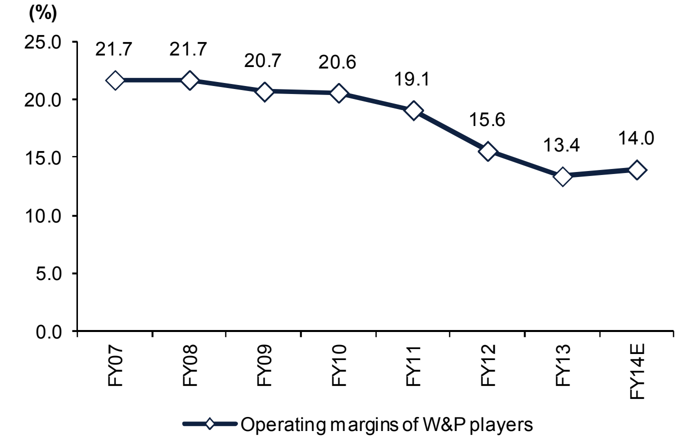
Focus on high-margin copier paper (55% of paper revenues) bodes well

Trident is one of the leading players in the copier paper segment in India with a market share of 11% as on FY12. This segment is expected to grow at a faster rate of 16-17% compared to 5-6% growth in traditional segments (maplitho, creamwove paper). Trident plans to focus on rationalising the product mix towards the copier segment with introduction of new products. Going ahead, Trident plans to increase the capacity of copier paper to 10,000 tonnes per month (75% of paper revenues).

Operating margins of domestic W&P paper to increase marginally in FY14

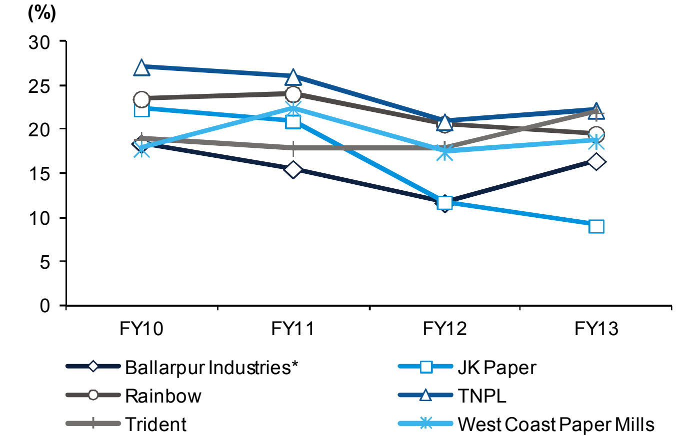
The operating margins of W&P players are estimated to have declined by 250-300 bps in FY13 due to a steep increase in domestic hardwood prices and the inability of players to pass on the rise in prices. Raw material (primarily pulp and wastepaper) cost accounts for 50-55% of the net sales of domestic W&P paper players. Due to scarce reserves of domestic hardwood, raw material costs are on an upward trajectory.

Figure 14: Operating margins of W&P paper players



Source: Company, CRISIL Research

Figure 15: EBITDA margins of players over the years



Source: Company, CRISIL Research

CRISIL Research expects a decrease in power cost, reduction in hardwood prices and stable wastepaper prices in FY14 to translate into a slight increase in the margins of W&P players. Going ahead, agro-based players such as Trident have significant cost advantages as the price of wheat straw is less than that of wood pulp by 10%. Such players are expected to maintain EBITDA margin of 19-22%.

Raw material availability is a significant risk

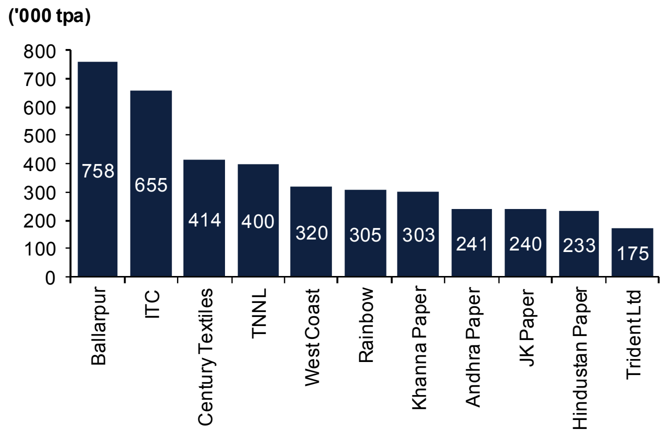
Raw material availability poses a significant challenge to the paper industry

Trident uses wheat straw as a major raw material for manufacturing of paper. Increased demand has raised the price of wheat straw from ₹3,600 per tonne in FY10 and to around ₹4,000-5,000 per tonne in FY12. Also, alternative uses of wheat straw for cattle fodder can cause a crunch in the supply of wheat straw for industrial uses such as paper manufacturing. Going ahead, we expect Trident to face some difficulties in procurement of wheat straw given the alternative uses and increase in price of wheat straw.

Trident yet to establish itself as a dominant player in the copier paper segment

Trident is one of the large players among agro-based players such as Tamil Nadu Newsprint and Paper Ltd. However, with no expansion plan in the near future, it is a smaller player in the overall industry (agro and non-agro together), for example when compared to players such as Ballarpur Industries Ltd and JK Paper Ltd. Further, the branded copier paper segment is dominated by large players such as JK Paper Ltd, BILT (Ballarpur Industries Ltd) and West Coast, who account for more than 50% of the total production.

Figure 16: Low capacity as compared to peers



Source: Company, CRISIL Research

Table 7: Market share in copier paper segment

(per cent)	2011-12*
JK Paper Ltd	24.6
Ballarpur Industries Ltd	22.9
West Coast Paper Mills Ltd	14.7
Trident Ltd	11.2
Tamilnadu Newsprint & Paper Mills Ltd	10.7
Century Pulp & Paper	7.1
Andhra Pradesh Paper Mills Ltd	3.9
Seshasayee Paper & Boards Ltd	2.9
Orient Paper & Industries Ltd	2.1
Total	100.0

*2011-12 period considered between April – October

Note: The market share has been derived from the production data available in public domain

Source: CRISIL Research, IPMA

Source: Company, CRISIL Research

Due to limited capacity, Trident is a small player in terms of revenues compared to other paper players in India. It clocked a moderate three-year CAGR of 13% over FY10-13 compared to peers. EBITDA margin is in line with peers. Going ahead, Trident plans to focus more on the high-margin copier paper segment to improve price realisations given the limited capacity of paper production.

Table 8: Peer comparisons

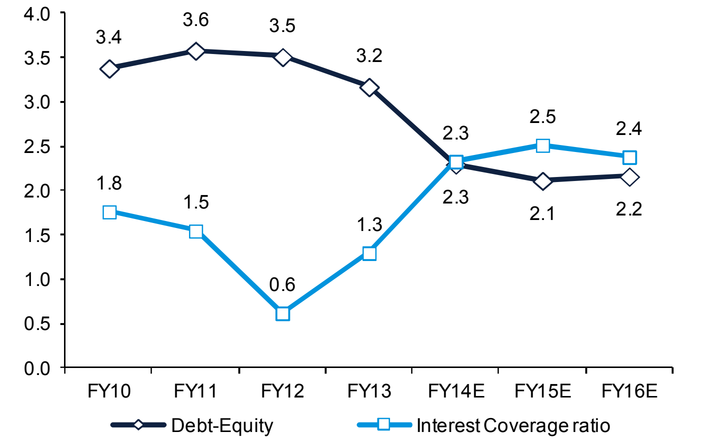
	Net sales (₹ mn)					EBITDA margin (%)				RoCE (%)			Cash conversion cycle			Price realisation		
	FY10	FY11	FY12	FY13	3-yr CAGR	FY10	FY11	FY12	FY13	FY11	FY12	FY13	FY11	FY12	FY13	FY11	FY12	FY13
JK Paper Ltd	11,079	12,328	13,301	14,591	10%	22.36	21.02	11.82	9.12	19.99	6.85	4.37	47	40	NA	51,367	45,866	50,314
Rainbow Papers Ltd	2,681	3,840	6,012	9,001	49%	23.58	24.17	20.71	19.59	14.64	10.89	9.84	**36**	**62**	**75**	20,984	32,852	36,889
Tamil Nadu Newsprint and Papers Ltd	10,687	12,085	15,229	18,612	20%	27.25	26.15	20.98	22.29	17.32	11.55	9.12	164	152	NA	30,213	38,073	46,530
Trident Ltd	4,951	6,055	6,534	7,247	13%	19	18	18	22	5	5	17	111	100	103	44,335	44,657	47,343
West Coast Paper Mills Ltd	6,270	10,712	13,063	14,550	32%	17.87	22.49	17.51	18.8	15.78	-5.71	3.1	58	74	82	33,475	40,822	45,469

Source: CRISIL Research

Leverage in control; return ratios to improve

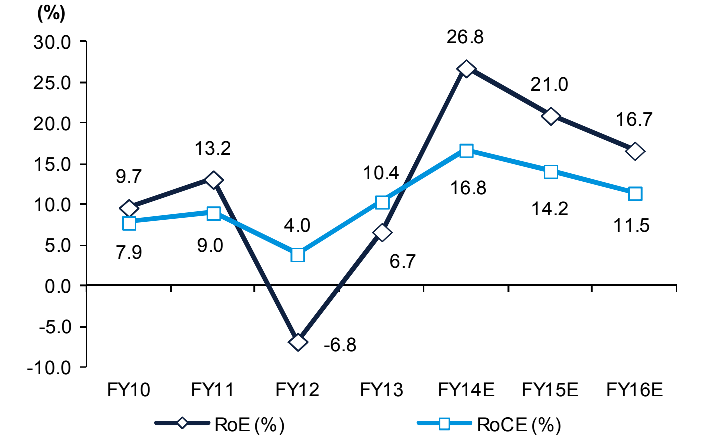
Trident's gearing is high at 3.2x as of FY13 due to debt-funded capacity expansion through the Technology Upgradation Funds (TUFS). As of 9MFY14, the gearing is ~2. Also, the company is further expanding its capacities in the textile segment to reap benefits from a better business outlook. As the expansion is largely debt funded, a sharp drop in current profitability can pose funding challenges. We expect gearing to reduce to 2.2x in FY16 due to repayment of debt of ~₹300-350 cr in FY14 and FY15 each. Focus on high-margin products and lower finance cost is expected to improve profitability. This will lead to improvement in the return ratios as shown in the following figure.

Figure 17: Gearing ratio to reduce



Source: Company, CRISIL Research

Figure 18: Return ratios to improve



Source: Company, CRISIL Research

Competitive landscape

Yarn segment: Operating margin and RoCE in line with peers

Trident is a large player in revenue terms compared to other cotton yarn manufacturers. Operating margin and RoCE are in line with peers. Since most of these players have availed TUFS for capacity expansion, their gearing levels range from 2x to 4x. Also, at 90 days of working capital (average of three years), Trident's working capital management is better compared to peers.

Table 9: Peer comparisons

Yarn players	Revenues				EBITDA margin			PAT margin			Debt/equity			Gross asset turnover			RoE (%)		
	FY11	FY12	FY13	2-yr CAGR	FY11	FY12	FY13	FY11	FY12	FY13	FY11	FY12	FY13	FY11	FY12	FY13	FY11	FY12	FY13
Nahar Spinning Mills Ltd	12,756	14,997	16,960	13%	21.6	1	16	8.6	-6.9	3	2	2.2	2	1	1	1	13.6	-3.1	5.6
Spentex Industries Ltd	9,222	8,243	11,333	19%	13.7	-9.2	10.7	3.7	-22.3	1.78	4	4	4	1.1	0.7	0.7	6.9	-17.9	-17.9
Trident Ltd	11,312	11,685	16,837	36%	13	5	15	2.6	-1.6	1.6	3.6	3.5	3.2	1	1	1	13.2	(6.8)	6.7
Vardhman Textiles Ltd	34,602	38,255	41,608	24%	25.3	13.4	21.95	11.6	2.8	7.65	1.2	1.1	1.33	1	1	1	16.2	7.6	7.6

Source: Company, CRISIL Research

Terry towel - margins in line with that of peers

In this segment, Trident is a mid-sized player in revenue terms compared to other home textile manufacturers and the growth rate was moderate over FY09-13. EBITDA margins have been in line with that of peers. Since most of its peers have availed TUFS for capacity expansion, the gearing levels range from 2.5x to 3.5x. Though it is only in one segment of towels as compared to its peers who have a diversified portfolio, it has renowned clients such as Ralph Lauren, Calvin Klein, IKEA, Target, J C Penney and Walmart.

Table 10: Peer Comparisons

	Revenue (₹ mn)					EBITDA(₹mn)				EBITDA margins UNITS				Gross asset turnover			Utilisation rate		
Home textile	FY09	FY10	FY11	FY12	3-yr CAGR	FY09	FY10	FY11	FY12	FY09	FY10	FY11	FY12	FY10	FY11	FY12	FY10	FY11	FY12
Indocount	2,068	2,374	3,804	4,182	26%	324	160	490	629	16%	7%	13%	15%	1.1	1.2	1.3	45%	45%	57%
Trident	7,590	8,480	11,070	12,740	19%	420	2,047	1,400	1,853	6%	24%	13%	15%	0.8	1	1.1	74.7%	73.75%	74.57%
Welspun	16,991	19,372	21,132	32,194	23%	1,628	4,238	2,717	4,122	10%	22%	13%	13%	0.7	0.9	0.9	90%	95%	95%

Source: Company, CRISIL Research

Working capital management: Given Trident's three different business lines, the working capital management at 90 days (three-year average), is in line with peers. This is mainly because the company manufactures cotton yarn - the inventory days for yarn were ~120 days due to stocking of cotton while inventory days for towel was ~54 days as on FY13.

Table 11: Working capital indicators of yarn and textile peers

	Creditors days			Creditors days			Inventory days		
Players	FY11	FY12	FY13	FY11	FY12	FY13	FY11	FY12	FY13
Alok Industries	83	41		114	86		163	183	
Indocount	65	69	83	52	50	68	73	66	68
Trident	43	37	29	31	27	28	125	85	98
Welspun	70	106	90	27	50	45	89	95	95
GTN Industries	46	44	45	28	20	25	99	89	90
Nahar Spinning mills	29	12	20	106	93	85	269	102	100
Spentex	75	93	80	44	52	50	59	36	40
Trident	43	37	29	31	27	28	125	85	98
Vardhaman Textiles	20	15	12	61	57	58	212	140	162

Source: Company, CRISIL Research

Expansion plans in pipeline

Trident plans to expand its spindle capacity and set up a bed sheet manufacturing plant. The project will help Trident to offer more products of home textile with bed sheets added to the portfolio of products offered by Trident. The setting up of spinning units will provide raw material for the proposed bed sheet manufacturing plant and existing terry towels units. The details of the project under implementation at Budni, Madhya Pradesh are as follows:

Activity	Unit	Capacity in FY12	Proposed Expansion	Total Capacity
Yarn(Spindles)	Spindles(No.)	365,904	176,064	541,968
Yarn(Rotors)	Rotors(No.)	3,584		3,584
Yarn Processing	TPA	6,825		6,825
Sheeting	Looms(No.)		500	500
Terry Towel	Looms(No.)	388		388

The company plans to install 176,064 additional spindles to manufacture around 38,802 tpa of additional cotton yarn of higher count and value-added varieties. Trident has plans to expand its offering in the home textile segment. It plans to manufacture bed sheets and pillow covers by installing 500 looms to manufacture 3.6 mn meters of sheeting/month and other balance equipment at a total capital outlay of ₹1,667 cr.

The company has tied up with banks for debt amounting to ₹1,250 cr. The fund shall be availed by the company by way of term loans from banks. The equity portion shall be funded through preferential issue of warrants to promoters/non-promoters and/or internal accruals. The project is expected to be completed by October 2015. Going ahead, the diverse product-mix in home textile and the increased capacity in yarn will help the company to boost its revenues. The strong clientele should enable cross-selling.

Merger with Trident Corporation Ltd

Trident Corporation Ltd (TCL), a part of the Trident group was incorporated in Feb, 2010. The company is setting up a terry towel (textiles) manufacturing capacity of 300 looms. TCL is also setting up 2x30 MW coal based power and steam generating facility to meet its power and process steam requirement for its proposed textile units and power requirements of Trident Ltd at Budni. TCL is at an advanced stage of implementing an integrated textile project with an investment of ₹1,584 cr funded with a debt equity ratio of 2.33:1 to manufacture terry towels with 300 looms and captive power plant of 60 MW. The company has tied up the rupee term loan from 11 banks for the project. Majority of the equity funding will be done by promoters (~50-65%), Trident Ltd (25-30%) and 10-12% by the Times group. Recently, Trident has announced its merger with TCL. The merger will come into effect FY15 onwards.

Table 12: Post merger and on-going expansion in Trident

Capacities	Yarn	Terry Towel	Energy
Pre- merger	3.66 lakh spindles, 3,584 rotors	388 looms	50 MW
Post-merger	6 lakh spindles, 5,500 rotors	688 looms	110 MW

Source: Company, CRISIL Research

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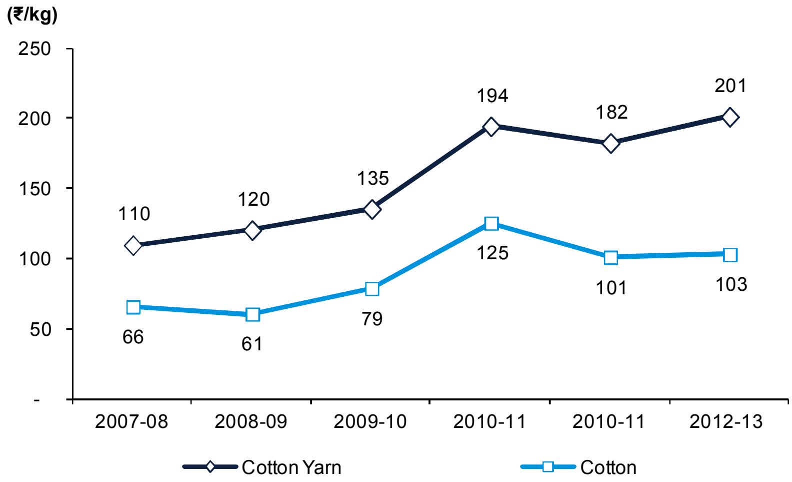
Key Risks

Volatile raw material prices

Prices of cotton, the key raw material to produce yarn and terry towels, are highly volatile. Cotton prices have been volatile in the past and resulted in a huge amount of inventory losses for the industry in the wake of a decline in cotton prices. Hence, Trident's EBITDA margin is sensitive to the movement in raw material prices especially in a down cycle. For instance, in FY12, during the economic slowdown, raw material costs as a proportion of revenues increased to 65% as against the average levels of 60% and the company reported a loss of ₹437 mn at the PAT level. Similarly, increase in wheat straw prices - the main raw material for paper - can affect EBITDA margins.

Volatility in profitability margins due to fluctuations in raw material prices

Figure 19: Trend in cotton and cotton yarn prices



Source: Company, CRISIL Research

Foreign exchange fluctuation risk

Exports accounted for 48% of the total operating income in FY13, exposing the company to a high foreign-exchange fluctuation risk. Since the company does not enjoy a natural hedge as its purchases are mostly local, it uses forwards and options for hedging its foreign currency transactions. Trident booked losses of ₹66 cr and ₹63 cr on the outstanding foreign exchange derivatives during FY12 and FY13, respectively. The exposure to derivatives, which was taken in FY08 for hedging its foreign currency exposure, expired in January 2013. The currency risk is now managed by continuous monitoring of the exposure and limiting the same in view of applicable margins under the relevant product/market segment.

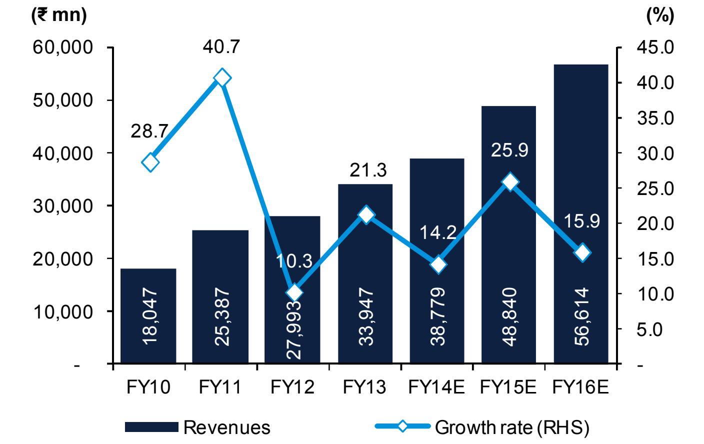
Financial Outlook

Revenues to grow at a three-year CAGR of 18.4%

We expect revenues to grow at a three-year CAGR of 18.4% to ₹56.6 bn in FY16 largely driven by improvement in realisations due to increased focus on value-added products. We expect the cotton yarn segment to grow owing to a revival in demand; the towel and paper divisions are expected to grow owing to improvement in realisations and demand.

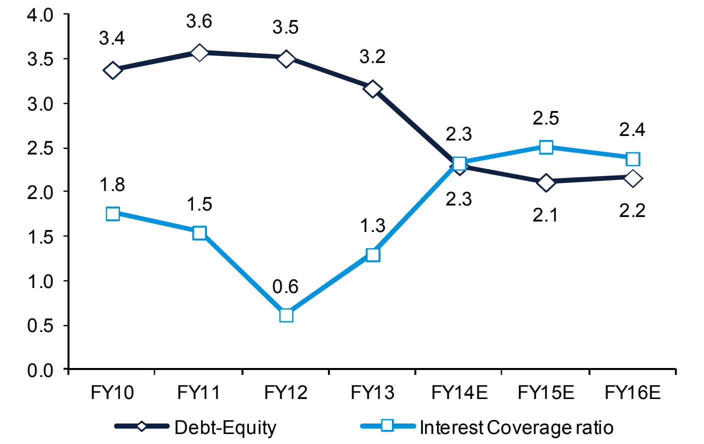
Revenues to grow at a CAGR of 20% in FY13-15 owing to improvement in realisations with focus on value-added products

Figure 20: Revenues to grow at a CAGR of 20%



Source: Company, CRISIL Research

Figure 21: Gearing ratio



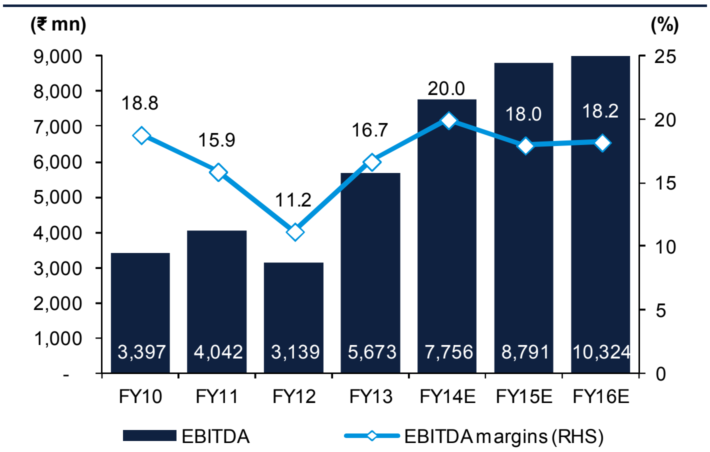
Source: Company, CRISIL Research

EBITDA margin to improve to 18.2% in FY16

Trident's EBITDA is expected to expand at a three-year CAGR of 21.8% to ₹10.32 bn in FY16 with pick-up in demand and higher value addition in the product portfolio. Trident reported a PAT margin of 1.3% in FY13 with improvement in operating profitability. We expect PAT to grow at a three- year CAGR of 82% to ₹2.79 bn in FY16 owing to a low base in FY13. PAT margin will improve to 4.9% in FY16 as we estimate an improvement in EBITDA margin and lower finance cost hereon. EPS is expected to improve from ₹1.5 in FY13 to ₹6.5 in FY16 with improvement in operating profitability. We expect gearing to reduce to 2.2x FY16 from 3.2x as of FY13 due to repayment of debt.

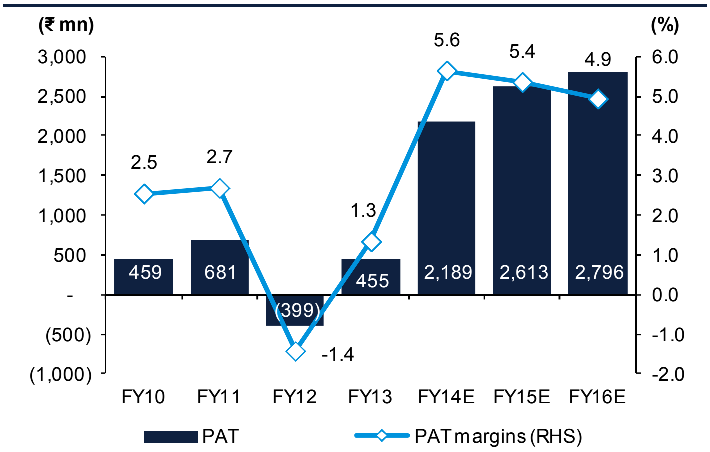
EBITDA margins are estimated to improve to 19.5% in FY14 from 16.7% in FY13

Figure 22: EBITDA margin to improve from FY13 levels



Source: Company, CRISIL Research

Figure 23: PAT and PAT margin to improve



Source: Company, CRISIL Research

Table 13: Q3FY14 results update

(₹ mn)	Q3FY14	Q2FY14	Q3FY13	q-o-q	y-o-y	9MFY14	9MFY13
Net sales	**10,209**	**10,002**	**8,284**	**2%**	**23%**	**28,939**	**24,611**
Raw materials cost	5,500	5,260	4,491	5%	22%	14,987	13,525
Raw materials cost (% of net sales)	53.9%	52.6%	54.2%		-1%	52%	55%
Employees cost	741	672	597	10%	24%	2,054	1,740
Other expenses	2,132	2,005	1,740	6%	23%	6,007	5,375
EBITDA	**1,836**	**2,066**	**1,457**	**-11%**	**26%**	**5,891**	**3,972**
EBITDA margin	**18.0%**	**20.7%**	**17.6%**		**2%**	**20%**	**16%**
Depreciation	676	687	672	-2%	1%	2,044	1,954
EBIT	**1,160**	**1,378**	**785**	**-16%**	**48%**	**3,847**	**2,017**
Interest and finance charges	513	518	562	-1%	-9%	1,624	1,767
Operating PBT	**647**	**860**	**223**	**-25%**	**190%**	**2,223**	**251**
Other Income	2	3	2	-6%	3%	7.91	7.22
PBT	**650**	**863**	**225**	**-25%**	**188%**	**2,231**	**258**
Tax	140	185	83	-24%	69%	553	91.8
PAT	**509**	**678**	**142**	**-25%**	**258%**	**1,678**	**166**
Adj PAT	**509**	**678**	**142**	**-25%**	**258%**	**1,678**	**166**
Adj PAT margin	**5.0%**	**6.8%**	**1.7%**			**6%**	**1%**
No of equity shares (mn)	310.8	310.8	310.8	0%	0%	311	311
Adj EPS (₹)	**1.6**	**2.2**	**0.5**	**-25%**	**258%**	**5.4**	**0.5**

Source: Company, CRISIL Research

Top line for the yarn segment grew by 13% y-o-y to ₹4,895 mn largely due to 15.2% improvement in realisation. However, sales volume declined by 1.6% y-o-y. Improvement in realisations was driven by focus on value-added products. For the terry towel segment, top line increased by 34% y-o-y to ₹4,120 mn on account of both volumes as well as realisations. Realisations improved 25.5% y-o-y due to focus on value-added products, and sales volume improved by 6.8% y-o-y. EBIT declined by 11% q-o-q mainly due to additional advertising cost of ₹5 cr for branding of terry towel. For the paper segment, revenue growth of 21% y-o-y to ₹2153 mn was largely due to 18.2% y-o-y improvement in realisations and 2.4% increase in sales volume.

Table 14: Segment results

₹ mn	Q3FY14	Q2FY14	Q3FY13	q-o-q	y-o-y	9M FY14	9M FY13	y-o-y
Segment Revenue								
Yarn	4,895	5,071	4318	-3%	13%	14,516	12,229	19%
Terry Towel	4,120	3,627	3073	14%	34%	10,904	9,495	15%
Paper & Chemicals	2,154	2,128	1779	1%	21%	6,145	5,279	16%
Total	11,175	10,833	9175	3%	22%	31,584	27,021	17%
Segment EBIT								
Yarn		730	427	-31%	18%	1,996	896	123%
Terry Towel	428	483	224	-11%	91%	1,176	677	74%
Paper & Chemicals	338	319	251	6%	35%	1,000	776	29%
Total	1,267	1,532	901	-17%	41%	4,175	2,349	78%

Source: Company, CRISIL Research

Management Overview

CRISIL's fundamental grading methodology includes a broad assessment of management quality, apart from other key factors such as industry and business prospects, and financial performance. Overall, we believe that the management has an established track record and strong understanding of the business.

Management has good experience and domain expertise

Promoter - Mr Rajinder Gupta - is a first generation entrepreneur having a rich and varied exposure of promoting industrial ventures over the past two decades. He has been with Trident for more than 29 years. Currently, he is the non-executive chairman at Trident. He is supported by his son Mr Abhishek Gupta, chairman of corporate advisory board. The company is grooming Abhishek Gupta to lead the company in the future.

Key management personnel with domain expertise and experience

Second line made of experienced professionals

The top management is ably supported by professionals who have been with the company for a long time. Based on our interactions and assessment, we believe the company has a good second line of management. The senior management team has varied work experience, ranging from five to over 30 years in their respective fields. The company's decision making is decentralised.

Designation	Employee	Background
Managing Director	Mr Deepak Nanda	M.Sc (Hons) in computer software and management program; has more than 25 years of experience in business development, contract negotiations and project implementation
Chief Executive Officer Manufacturing (Madhya Pradesh)	Mr D. K. Mittal	CA; worked with a leading textile player before joining Trident
Chief Executive Officer Manufacturing (Punjab)	Mr R.C.Johari	B.E; vast experience in the paper industry
Chief Executive Officer (International Marketing)	Mr P K Markanday	MBA; more than 32 years of work experience in the textile industry
Chief Executive Officer (India Marketing)	Mr Rajneesh Bhatia	B.E; around two decades of experience in the industry
Chief Executive Officer (Finance)	Mr Arun Goyal	CA; worked with Trident for more than two decades
Chief Executive Officer (Commercial)	Mr Kavish Dhanda	MBA; has been with Trident for more than a decade
Chief Strategy Officer	Mr Samir Joshipura	MBA; has more than 14 years of experience in the field of management systems

Corporate Governance

CRISIL's fundamental grading methodology includes a broad assessment of corporate governance and management quality, apart from other key factors such as industry and business prospects, and financial performance. In this context, CRISIL Research analyses the shareholding structure, board composition, typical board processes, disclosure standards, and related-party transactions. Any qualifications by regulators or auditors also serve as useful inputs while assessing a company's corporate governance.

Overall, Trident's corporate governance conforms to regulatory requirements supported by reasonably good board practices and an independent board.

Corporate governance practices at Trident conform to regulatory requirements

Board composition

Trident's board comprises five members, of whom three are independent. This is in keeping with SEBI's Clause 49 of the listing agreement. Based on our interaction with the independent directors, we believe they possess a fair understanding of the company's business and processes.

Profile of independent directors

Name	Age	Qualification	Experience	Directorship in other listed companies
Pallavi Shroff	56	MMS, lawyer by profession	Over 30 years in corporate law and banking	Maruti Suzuki India Ltd, Juniper Hotels Ltd, PTL Enterprise Ltd, Artemis Health Sciences Pvt Ltd, Artemis Medicare Services Pvt Ltd
Rajiv Dewan	50	Chartered accountant	Well experienced in management consultancy, tax planning and capital market operations	Malwa Industries Ltd, Punjab Communication Ltd, Malwa Millennium Design Ltd, Trinetra Technologies Ltd, Abhishek Ventures & Projects Ltd, Trident Aerospace Ltd, Trident Powercom Ltd, Trident Corporate Services Ltd, Trident Corporate Solutions Ltd, Trident brokers Ltd, Trident Swaasthya Ltd, Trident Research Ltd, Trident Brands Ltd
M.A. Zahir	69	PHD	Former professor at Punjab University, Ludhiana; founder of Synthetic Business School	Hero Cycles Ltd, Hero Fincorp Ltd, Ralson India Ltd, Rockman Industries Ltd, IOL Chemicals & Pharmaceuticals Ltd, Sohrab Spinning Mills Ltd, Lotus Integrated Texpark Ltd, Majestic Auto Ltd

Board processes

The company's quality of disclosure can be considered good judged by the level of information and details furnished in the annual report, websites and other publicly available data. The company has all the necessary committees – audit, remuneration and investor grievance - in place to support corporate governance practices. The audit committee is chaired by an independent director, Dr M.A Zahir.

A) Non-payment of dividend: The company has paid dividend twice during the past eight years. It incurred losses in two years (FY09 and FY12) due to volatility in cotton prices and has been investing internal accruals in expansion over the years.

Particulars	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Adj PAT (₹ mn)	568.2	522.9	468.5	-453	458.7	681.3	-399.5	455.2
Dividend Payout Ratio (%)	34.18	-	-	-	-	49.3	-	-
Dividend (₹)	1	-	-	-	-	1.2	-	-

B) Amalgamations: Over the past few years, many group companies have been merged with the company. According to the management, the amalgamations were done to consolidate the group structure and strengthen the balance sheet. Recently, there was a perceived conflict of interest post start of commercial production in TCL. Recently, the board approved the merger of TCL with TL to avoid such perceived conflicts of interest. Post merger, 16 equity shares of Trident of ₹10 each will be paid for every 25 equity shares of TCL of ₹10 each

Year	Amalgamation	Remarks
FY12	Trident Infotech Ltd (TIL) and Trident Agritech Ltd (TAL) with Trident	The company has allotted 5 equity shares of Trident for every 6 equity shares of TIL and 20 equity shares of Trident for every 31 equity shares of TAL

Valuation Grade: 5/5

We have used DCF method to value Trident. Based on our estimates, the fair value of Trident is ₹26 .At the current market price of ₹14, our valuation grade is 5/5.

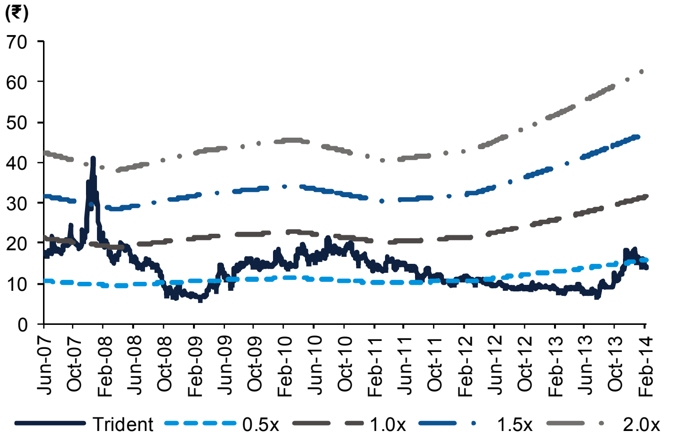
Key assumptions

We have considered the discounted value of the firm's estimated free cash flow over FY14-23 to sufficiently capture the potential high growth of the company.

Valuation methodology

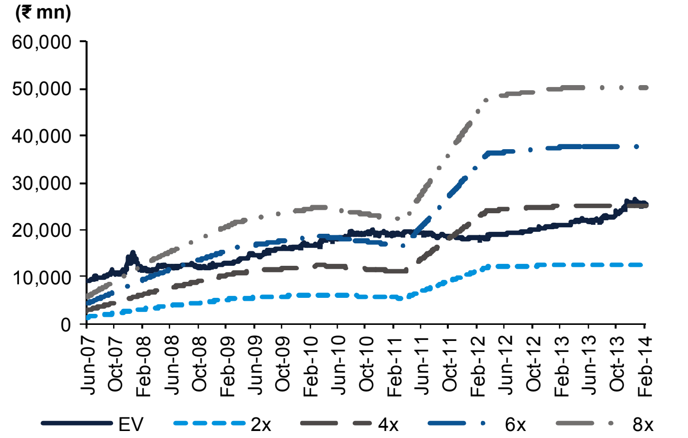
Company	Valuation methodology	Valuation – ₹ per share
Trident	DCF ■ Projection years: FY14-23 ■ Cost of equity: 21.7% ■ Post tax cost of debt: 7.88% ■ WACC of 12.5% ■ 3% terminal growth rate	26

One-year forward P/B band



Source: NSE, CRISIL Research

One-year forward EV/EBITDA band



Source: NSE, CRISIL Research

		Terminal growth rate				
		1.0%	2.0%	3.0%	4.0%	5.0%
Terminal WACC	10.5%	43	49	57	66	78
	11.5%	30	34	40	47	55
	12.5%	18	22	**26**	31	38
	13.5%	8	11	14	18	23
	14.5%	(1)	2	5	8	11

Peer comparison

	M.cap (₹ mn)	EBITDA Margin (%)			PAT Margin(%)			RoE (%)			P/E (x)		
Companies	FY13	FY11	FY12	FY13	FY11	FY12	FY13	FY11	FY12	FY13	FY11	FY12	FY13
Indo Count Ltd	924	6.79	5.09	7.35	1.31	0.01	2.32	5	(1)	16	3	4	3
Trident Ltd	**3,108**	**16**	**11.2**	**16.7**	**2.7**	**(1.4)**	**1.3**	**13.2**	**(6.8)**	**6.7**	**4.6**	**(8.3)**	**5.1**
Vardhman Textiles Ltd	19,907	24.9	13.8	20.3	11.9	3.0	8.0	27.2	6.3	16.9	3.0	8.9	4.2
Welspun India Ltd	5,206	6.97	17.35	14.76	4.9	4.45	5.54	0	(2)	26	3	4	3.3

Source: CRISIL Research, Industry sources

Company Overview

Trident, the flagship company of the Trident Group, is a leading manufacturer of terry towel and wheat straw-based paper. It started as an agro-based manufacturer in 1990. Originally it was named as Abhishek Industries Ltd; it is promoted by Mr Rajinder Gupta. The company's first yarn plant at Sanghera, Punjab, which produces both cotton and blended yarn, was financed by the public issue in October 1992. With the amalgamation of Abhishek Spinfab Corporation Ltd in 1999 and Varinder Agro Chemicals Ltd in 2002, Trident diversified into terry towels and wheat-straw based paper. The company has significantly invested in modernising assets and in forward/backward integration. In FY11, Trident had undertaken expansion projects in Barnala (Punjab) and Budni (Madhya Pradesh) for cotton yarn manufacturing, majority through debt funding and the rest through equity/internal accruals.

The company's manufacturing facilities are located in Barnala and Budni. Currently, it has capacity to produce 90,000 tpa cotton and blended yarn, 43,200 MT of towels/year, 1,75,000 tpa of paper, 100,000 tpa of sulphuric acid and 50 MW power for captive consumption. It has a strong client base in 75 countries including nine of the top 10 retailers in the US, six leading retailers in Europe and five of the top seven retailers in Australia and New Zealand (ANZ).

Revenue contribution trend

	Contribution to revenues		
Business segment	**FY11**	**FY12**	**FY13**
Yarn	40%	38%	46%
Terry towel	39%	41%	34%
Paper	21%	21%	20%

Milestones

1999	Abhishek Spinfab Corporation Ltd, having large facilities of terry towel products, amalgamated with Trident
2002	Varinder Agro Chemicals Ltd, having facilities of producing 34,250 MTs of paper and 1,00,000 MTs of sulphuric acid amalgamated with Trident
2005	Commenced commercial production of open end yarn project with production capacity of 16 TPD
2009	Abhishek Industries Ltd launched branded copier paper - Spectra, My Choice
2010	Abhishek Industries commissions terry towel expansion project
2011	Name changed to Trident Ltd
2012	Amalgamation of Trident Infotech Ltd & Trident Agritech Ltd with Trident Ltd
2013	Acquired Trident Global Corp Ltd

CRISIL RESEARCH

Annexure: Financials

Income statement

(₹ mn)	FY12	FY13	FY14E	FY15E	FY16E
Operating income	**27,993**	**33,947**	**38,779**	**48,840**	**56,614**
EBITDA	**3,139**	**5,673**	**7,756**	**8,791**	**10,324**
EBITDA margin	**11.2%**	**16.7%**	**20.0%**	**18.0%**	**18.2%**
Depreciation	2,075	2,614	2,728	3,174	4,287
EBIT	**1,064**	**3,059**	**5,028**	**5,617**	**6,037**
Interest	1,718	2,353	2,157	2,233	2,534
Operating PBT	**(654)**	**706**	**2,871**	**3,384**	**3,503**
Other income	63	59	48	100	119
Exceptional inc/(exp)	(38)	38	-	-	-
PBT	**(629)**	**803**	**2,919**	**3,484**	**3,621**
Tax provision	(191)	310	730	871	826
Minority interest	-	-	-	-	-
PAT (Reported)	**(437)**	**493**	**2,189**	**2,613**	**2,796**
Less: Exceptionals	(38)	38	-	-	-
Adjusted PAT	**(399)**	**455**	**2,189**	**2,613**	**2,796**

Ratios

	FY12	FY13	FY14E	FY15E	FY16E
Growth					
Operating income (%)	10.3	21.3	14.2	25.9	15.9
EBITDA (%)	(22.3)	80.7	36.7	13.4	17.4
Adj PAT (%)	(158.6)	(213.9)	380.9	19.4	7.0
Adj EPS (%)	(142.6)	(212.1)	380.7	(14.2)	7.0
Profitability					
EBITDA margin (%)	11.2	16.7	20.0	18.0	18.2
Adj PAT Margin (%)	(1.4)	1.3	5.6	5.4	4.9
RoE (%)	(6.8)	6.7	26.8	21.0	16.7
RoCE (%)	4.0	10.4	16.8	14.2	11.5
RoIC (%)	5.3	10.0	15.1	12.9	10.7
Valuations					
Price-earnings (x)	(8.3)	5.1	2.0	2.3	2.2
Price-book (x)	0.5	0.3	0.5	0.4	0.3
EV/EBITDA (x)	8.3	4.3	3.3	4.3	4.2
EV/Sales (x)	1.0	0.7	0.7	0.8	0.8
Dividend payout ratio (%)	-	-	-	5.0	16.6
Dividend yield (%)	-	-	-	2.1	7.7
B/S ratios					
Inventory days	85	98	100	98	100
Creditors days	37	29	33	32	34
Debtor days	27	28	26	25	25
Working capital days	100	103	97	95	98
Gross asset turnover (x)	1.0	1.0	1.1	1.2	1.0
Net asset turnover (x)	1.5	1.7	2.1	2.2	1.7
Sales/operating assets (x)	1.4	1.6	1.9	1.7	1.5
Current ratio (x)	3.3	4.0	3.8	4.0	3.9
Debt-equity (x)	3.5	3.2	2.3	2.1	2.2
Net debt/equity (x)	3.5	3.1	2.3	2.0	2.1
Interest coverage	0.6	1.3	2.3	2.5	2.4

Per share

	FY12	FY13	FY14E	FY15E	FY16E
Adj EPS (₹)	(1.3)	1.5	7	6.0	6.5
CEPS	5.5	9.9	15.8	13.4	16.4
Book value	21.3	22.7	29.7	36.1	41.3
Dividend (₹)	-	-	-	0.3	1.1
Actual o/s shares (mn)*	305.8	310.8	311.0	432.5	432.5

Balance Sheet

(₹ mn)	FY12	FY13	FY14E	FY15E	FY16E
Liabilities					
Equity share capital	3,058	3,108	3,108	4,473	4,473
Reserves	3,447	3,953	6,142	11,140	13,376
Minorities	-	-	-	-	-
Net worth	**6,506**	**7,061**	**9,250**	**15,613**	**17,849**
Convertible debt	-	-	-	1	2
Other debt	22,837	22,398	21,248	33,007	38,606
Total debt	**22,837**	**22,398**	**21,248**	**33,008**	**38,608**
Deferred tax liability (net)	760	1,070	1,129	1,419	1,432
Total liabilities	**30,102**	**30,530**	**31,627**	**50,040**	**57,891**
Assets					
Net fixed assets	21,400	19,622	17,392	26,818	38,531
Capital WIP	381	449	3,192	8,846	2,346
Total fixed assets	**21,781**	**20,071**	**20,584**	**35,664**	**40,877**
Investments	613	764	464	164	164
Current assets					
Inventory	5,204	6,911	7,894	9,943	11,633
Sundry debtors	2,009	2,517	2,761	3,318	3,846
Loans and advances	3,515	3,174	3,333	4,152	5,378
Cash & bank balance	162	185	325	1,482	1,662
Marketable securities	12	25	25	25	-
Total current assets	**10,902**	**12,812**	**14,338**	**18,920**	**22,519**
Total current liabilities	**3,273**	**3,177**	**3,819**	**4,769**	**5,756**
Net current assets	**7,629**	**9,635**	**10,519**	**14,151**	**16,763**
Intangibles/Misc. expenditure	**79**	**60**	**60**	**60**	**60**
Total assets	**30,102**	**30,530**	**31,626**	**50,040**	**57,865**

Cash flow

(₹ mn)	FY12	FY13	FY14E	FY15E	FY16E
Pre-tax profit	(591)	765	2,919	3,484	3,621
Total tax paid	38	-	(671)	(581)	(812)
Depreciation	2,075	2,614	2,728	3,174	4,287
Working capital changes	344	(1,970)	(744)	(2,476)	(2,457)
Net cash from operations	**1,866**	**1,410**	**4,231**	**3,601**	**4,639**
Cash from investments					
Capital expenditure	(7,014)	(885)	(3,241)	(18,254)	(9,500)
Investments and others	(150)	(164)	300	300	25
Net cash from investments	**(7,164)**	**(1,050)**	**(2,941)**	**(17,954)**	**(9,475)**
Cash from financing					
Equity raised/(repaid)	1,047	85	-	3,906	-
Debt raised/(repaid)	3,803	(438)	(1,150)	11,760	5,600
Dividend (incl. tax)	-	-	-	(157)	(559)
Others (incl extraordinaries)	543	15	-	-	-
Net cash from financing	**5,392**	**(338)**	**(1,150)**	**15,509**	**5,041**
Change in cash position	95	23	140	1,157	205
Closing cash	162	185	325	1,482	1,662

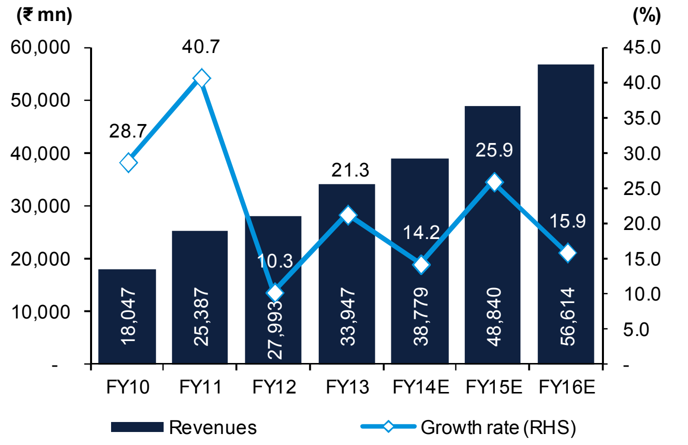
Quarterly financials

(₹ mn)	Q3FY13	Q4FY13	Q1FY14	Q2FY14	Q3FY14
Net Sales	**8,284**	**8,957**	**8,728**	**10,002**	10209
Change (q-o-q)	0%	8%	-3%	15%	2%
EBITDA	**1,457**	**1,798**	**1,941**	**2,066**	1836
Change (q-o-q)	23%	23%	8%	6%	-11%
EBITDA margin	**18%**	**20%**	**22%**	**21%**	**18%**
PAT	142	327	442	678	509
Adj PAT	**142**	**327**	**442**	**678**	509
Change (q-o-q)	-186%	130%	35%	53%	-25%
Adj PAT margin	**2%**	**4%**	**5%**	**7%**	**5%**
Adj EPS	**0.6**	**1.5**	**2.0**	**2.2**	**1.6**

Source: CRISIL Research

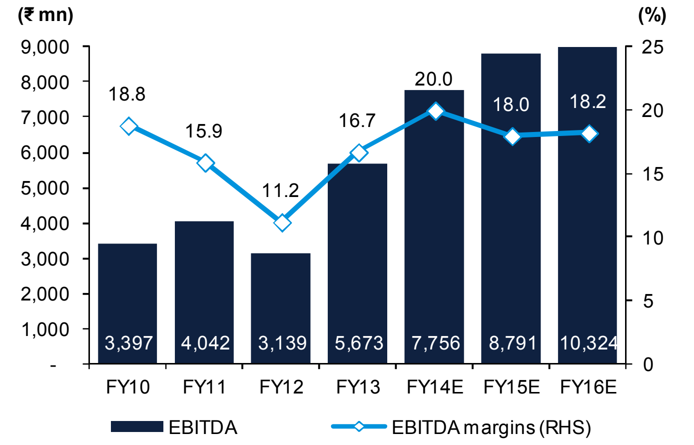
Focus Charts

Revenue and revenue trends



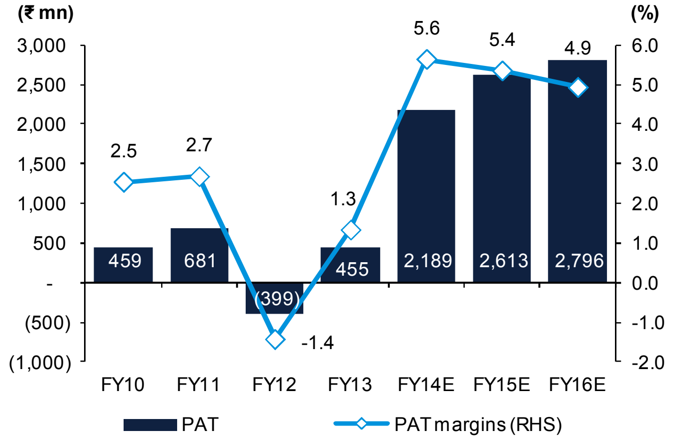
Source: Company, CRISIL Research

EBITDA and EBITDA margins



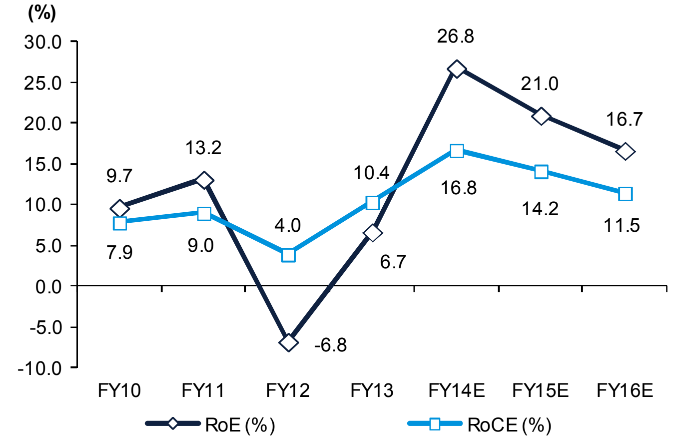
Source: Company, CRISIL Research

PAT and PAT margin



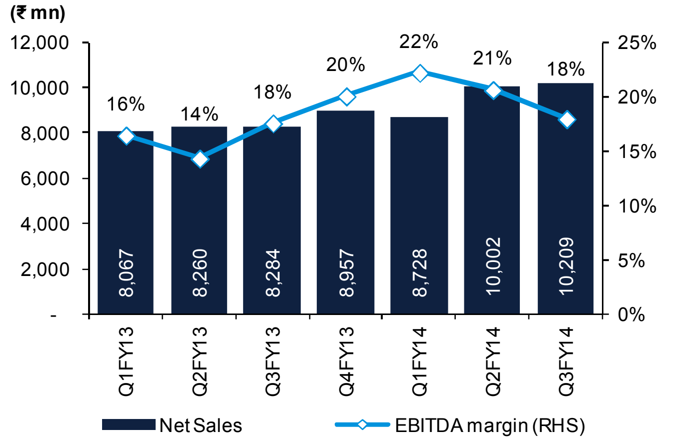
Source: Company, CRISIL Research

RoE and RoCE trend



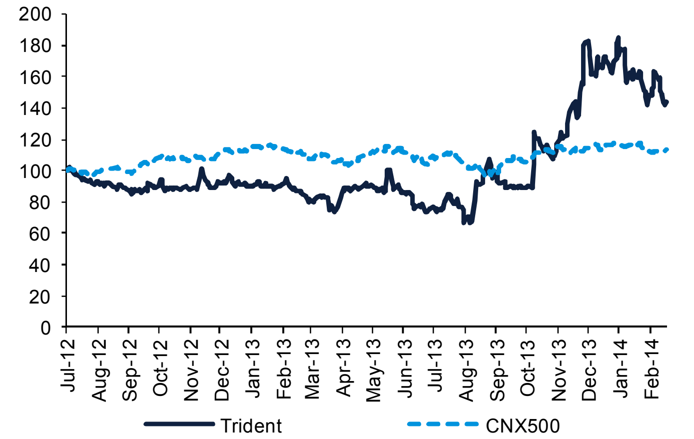
Source: Company, CRISIL Research

Quarterly trends



Source: Company, CRISIL Research

Share price movement



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Source: NSE, CRISIL Research

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