

21 Sept 2017

Initiating Coverage (BUY)

CMP

INR 101

Target Price

INR 126

TRIDENT LTD

Stock Details	
Industry	TEXTILES
Bloomberg Code	TRID:IN
BSE Code	521064
Face Value (Rs.)	10.00
Market Cap. (Rs. mn)	52,376.6
52wk. Low/High (Adjusted) (Rs.)	45.85/109.50

Shareholding Pattern June '17	
Promoter (%)	67.77
FII (%)	0.00
DII (%)	0.00
Public - Other (%)	32.23
No. of Share Outstanding (mn)	509.59

Valuation Summary				
	FY 16A	FY 17A	FY 18P	FY 19P
P/E (x)*	11.60	15.26	15.00	14.00
EV/EBITDA (x)	6.35	7.01	6.71	6.16
P/BV (x)	1.48	1.90	2.59	2.47

*TTM for Current Year

Based on Market Price as on 1st Apr is taken for Each FY

Key Financial				
Rs. Mn	FY 16A	FY 17A	FY 18P	FY 19P
Net Sales	36,840	46,944	51,639	55,770
EBITDA	7,506	9,917	10,505	11,447
Net Profit	2,291	3,372	3,875	4,581
EPS (Rs.)*	04.5	06.6	07.6	09.0

*Un adjusted

Key Ratios				
	FY 16A	FY 17A	FY 18P	FY 19P
EBITDA Margin (%)	20.2	20.7	20.0	20.2
EBIT Margin (%)	11.1	12.1	12.9	13.6
Net Pro. Margin (%)	6.2	7.0	7.4	8.1
Debt/Equity (x)	1.20	0.63	0.78	0.67
RoNW (%)	14.2	14.9	15.5	18.9
RoCE (%)	6.4	7.6	8.6	10.3

One Year Price / Volume



We recommend 'BUY' on TRIDENT LTD for a target of INR 126 - valuing the company at P/E 14x of FY19E Earning.

INVESTMENT RATIONALE:

- Strong growth in Bed linen sales volumes.
- Textiles EBIT margin improved QoQ.
- Healthy free cash flows and return ratios to continue going forward.
- Lower financial leverage to improve bottom-line performance.
- Higher margins from Paper business to aid financial performance in long run.
- Consistent long term demand because of a rising middle-class in emerging markets.
- A shift towards manmade fibres due to comparatively less volatile price trend for cotton or wool.
- The textile industry is projected to grow at a CAGR of 9% to USD 141 billion by 2021
- Bed and bath linen together constitute about 67% of the home textile industry

VALUATIONS AND VIEW:

Trident Group is a leading diversified group of businesses. As a USD 1 billion Indian business conglomerate and a global player, Trident Limited (Trident) is the flagship company of Trident Group. Trident has acquired wide and varied global scale capabilities in the production of terry towel and bedsheet. We value the business at 14x FY19E EPS and recommend a BUY rating on the stock with a target price of INR 126 per share.

RISK & CONCERS

- **Foreign currency:** The Company is highly exposed to unfavourable foreign currency movement owing to the Company's presence across 100 countries.
- **Global economic risk:** The Company's business areas are spread across regions like the Middle-East, Africa, The US, Latin America, Australia and EU, among others. It is always subjected to risks arising out of adverse economic situations in any of these countries or regions.
- **Input sourcing risk:** The Company's source for textile and paper is cotton and wheat husk, respectively. It is largely dependent on agricultural yield and availability at the right time and right price.
- **Threats from China and ASEAN:** China and ASEAN countries have been seen as a potential threat to the Company owing to low-cost supplies to the EU and US countries.

COMPANY BACKGROUND:

Trident Group is a leading diversified group of businesses. As a USD 1 billion Indian business conglomerate and a global player, Trident Limited (Trident) is the flagship company of Trident Group. The flagship operates in two major segments namely home textiles and paper – with manufacturing facilities in Punjab and Madhya Pradesh.

Trident has acquired wide and varied global scale capabilities in the production of terry towel and bedsheet. From a variety of fibres and yarns to a range of colours, both in piece dyed and yarn dyed, plains and jacquards, to a complete collection of performance finishes and surface decorations, the range of products keeps expanding to meet the unique needs of the customers.

Products-

- Home Textiles
- Yarn
- Paper
- Chemicals
- Energy

INDUSTRY OVERVIEW:

India, the world's second largest producer of textiles and garments, accounts for 63% of the market share of textiles and garments. India accounts for about 14% of the world's production of textile fibres and yarns (largest producer of jute, second largest producer of silk and cotton; and thirdlargest of cellulosic fibre). The textile industry contributes around 14% to the IIP, 5% to the country's GDP, 27% to the Company's forex inflows and about 13% to the country's total exports earnings. Further, it accounts for 21% of the total employment generated in the economy, providing direct employment to over 45 million people. Indirect employment including the manpower engaged in agro-based raw material production like cotton and related trade and handling employs around another 60 million. It contributes to around 8% of the total excise revenue collection. The textile sector accounts for about 24% of the world's spindle capacity and 8% of global rotor capacity.

PEER COMPARISON

Company	CMP (Rs)	P/E*	Mcap (Rs Cr)	Div Yld (%)	NP Qtr (Rs Cr)	Qtr Profit Var (%)	Sales Qtr (Rs Cr)	Qtr Sales Var (%)	CMP/BV
Welspun India	74	9.8	7,399.8	0.88	128.6	(38.39)	1,539.4	(3.34)	2.93
Vardhman Textile	166	20.3	659.0	1.23	139.3	(7.19)	1,479.8	5.69	5.24
SRF	1,602	24.6	9,201.0	0.80	88.5	(31.71)	1,036.5	5.25	2.85
K P R Mill Ltd	778	19.4	5,750.9	0.10	73.1	16.26	746.6	12.13	4.23
Arvind Ltd	405	33.3	10,467.4	0.59	56.8	(16.77)	2,475.0	17.63	2.89
Binny	235	1.7	525.0	-	(1.2)	(58.97)	0.0	-	1.43
Trident	103	15.0	58,123.6	1.41	88.9	13.37	1,168.4	1.76	1.90

*TTM

FINANCIAL OVERVIEW

Q4 FY16 Performance Highlight

(in Million)	4Q FY15	1Q FY16	2Q FY16	3Q FY16	4Q FY16	YoY (%)	QoQ (%)
Revenue	11,663.18	11,817.31	11,387.42	12,811.01	11,807.20	1.23%	-7.84%
Other Income	53.5	93.04	73.07	490.01	297.27		
Total Income	11,716.68	11,910.35	11,460.49	13,301.02	12,104.47	3.31%	-9.00%
Expenditure	-9,245.27	-9,467.94	-9,127.34	-11,000.97	-9,844.12		
As a % of Sales	79.27%	80.12%	80.15%	85.87%	83.37%		
Interest	-416.32	-347.64	-276.2	-320.63	-333.79	-19.82%	4.10%
PBDT	2055.09	2094.77	2056.95	2300.05	2260.35		
As a % of Sales	17.62%	17.73%	18.06%	17.95%	19.14%		
Depreciation	-1034.48	-1044.47	-1035.15	-1010.04	-1023.04		
PBT	1020.61	1050.3	1021.8	1290.01	1237.31	21.23%	-4.09%
As a % of Sales	8.75%	8.89%	8.97%	10.07%	10.48%		
Tax	-236.1	-249.64	-236.05	-293.4	-347.89	47.35%	18.57%
Net Profit	784.51	800.66	785.75	996.61	889.42	13.37%	-10.76%
As a % of Sales	6.73%	6.78%	6.90%	7.78%	7.53%		
Equity	4949.67	5095.79	5095.79	5095.79	5095.96	2.96%	0.00%
EPS (Rs)	1.59	1.59	1.54	1.96	1.75	10.06%	-10.71%
CEPS (Rs)	3.67	3.62	3.57	3.94	3.75		
OPM %	21.19	20.67	20.49	17.95	19.14		
NPM %	6.73	6.78	6.9	7.78	7.53		

Income Statement (Consolidated)

Y/E Mar (Rs mn)	FY 14A	FY 15A	FY 16A	FY 17A	FY 18E	FY 19P	FY 20P
Net Sales	38,690	37,553	36,840	46,944	51,639	55,770	61,347
Other Operating Income	163	345	317	1,035	791	768	916
Expenditure	31,414	30,946	29,651	38,062	41,924	45,091	49,563
EBITDA	7,439	6,952	7,506	9,917	10,505	11,447	12,700
Depreciation	2,684	3,213	3,376	4,125	3,744	3,757	3,772
EBIT	4,755	3,739	4,130	5,792	6,761	7,689	8,928
Interest Expenses	2,103	2,060	1,364	1,411	1,733	1,765	2,001
PBT	2,652	1,680	2,766	4,382	5,028	5,924	6,927
Tax	681	501	486	1,016	1,153	1,342	1,554
Other Income	-	-	-	-	-	-	-
Extraordinary Items	-	-	-	-	-	-	-
Net Income Before Adjustment	1,971	1,179	2,280	3,366	3,875	4,581	5,372
Minority Int./Income from Assoc.	30	-	(11)	(7)	-	-	-
Adjusted PAT	1,940	1,179	2,291	3,372	3,875	4,581	5,372

Balance Sheet (Consolidated)

Y/E Mar (Rs mn)	FY 14A	FY 15A	FY 16A	FY 17A	FY 18E	FY 19P	FY 20P
Equity share capita	3,111	5,086	5,694	5,096	5,096	5,096	5,096
Reserves & surplus	5,737	9,467	12,095	22,473	17,334	20,868	25,012
Misc Expenditure	-	-	-	-	-	-	-
Net worth	9,278	14,554	17,789	27,568	22,430	25,964	30,107
Minority Interest	-	-	-	-	-	-	-
Loan Funds	7,659	13,961	21,365	17,463	17,465	17,463	17,461
Net deferred tax liability	1,082	1,242	1,727	1,655	1,655	1,655	1,655
Other Long-term Liabilities	-	-	-	807	888	959	1,055
Long-term Provisions	45	405	85	140	154	167	183
Total Liabilities	18,065	30,163	40,966	47,636	42,593	46,210	50,464
Net block	18,319	30,858	38,919	44,680	50,750	48,436	44,933
Investment, Loan & Adv.	2,511	1,840	2,648	2,091	1,194	862	1,066
Total Current Assets	10,985	12,372	15,071	15,095	20,500	27,619	36,302
Current Liabilities & Provisions	13,750	14,908	15,672	14,231	29,852	30,709	31,838
Net Current Assets	(2,766)	(2,536)	(601)	864	(9,352)	(3,090)	4,463
Total Assets	18,065	30,163	40,966	47,636	42,593	46,210	50,464

Cash Flow (Consolidated)

Y/E Mar (Rs mn)	FY 17A	FY 18E	FY 19P	FY 20P
Operating Cash Flow	10,163	4,755	9,156	9,668
Cash Flow from Investments	(1,777)	1,844	(1,172)	(534)
Cash Flow from Financing	(8,157)	(1,734)	(2,038)	(2,199)
Net Changes in Cash	229	4,865	5,947	6,935
Opening Cash	49	278	5,143	11,090
Closing Cash Balance	278	5,143	11,090	18,025

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