Research

CRISIL IER

Independent **E**quity **R**esearch

Enhancing investment decisions

Trident Ltd

Detailed Report

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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CRISIL
An S&P Global Company

Trident Ltd

September 05, 2017

Healthy free cash flows shift focus to balance sheet deleveraging

Fundamental Grade: 4/5 (Superior fundamentals) **Valuation Grade: 5/5 (CMP has strong upside)**

Industry: Textiles **Fair Value: ₹128** **CMP: ₹97**

Over the years, Trident Ltd has strengthened its position and expanded across the value chain to metamorphose from a yarn manufacturer to an integrated home textile major. Healthy free cash flows have shifted its focus to deleveraging the balance sheet. It also plans to raise funds from the capital markets to prepay debt. We expect moderate to high growth in the medium term. While the home textile segment (comprising bath linen and bed linen) is expected to grow at a robust pace on the back of improving domestic demand, entry into new overseas markets and implementation of GST; the yarn segment is exposed to rising captive consumption. Spare capacity in the terry towel and bed linen segments – which have a large addressable market and provide cross-selling opportunities – is a good augury for future growth and margin expansion. Consistent increase in revenue, and operating and financial leverage benefits are expected to result in robust earnings growth over the next two-three years and significant improvement in return ratios. We, thus, raise our fundamental grade to **4/5**.

Capex out of the way, focus is now on deleveraging the balance sheet

After incurring significant capital expenditure (capex) in FY15 and FY16 to expand home textile capacity and subsequent ramp-up in utilisation in FY16-17, the company has started to generate healthy free cash flows and is focusing on reducing debt. This has enabled Trident to repay ₹5,760 mn of debt in FY17, ~39% of which was high-cost. The company's debt-equity ratio improved to 0.8x in FY17 (1.8x in FY15) owing to repayment as well as partial prepayment of high-cost debt. As of June 30, 2017, out of the total long-term debt of ₹18.2 bn, more than 75% falls under Technology Upgradation Fund Scheme (TUFS) at a low interest rate. We expect debt to lessen to ~₹8 bn over FY18-19 as cash flows are expected to remain healthy.

Many levers exist for growth and margin expansion; cotton price is a monitorable

The company is expected to benefit from increase in local demand owing to shift from unorganised to organised players with the implementation of GST (especially in home textiles); and increase in exports of terry towels and bed linen to existing and new clients. In paper, incremental spend on stationery by corporates and rise in the number of offices bodes well for the high-margin copier paper segment. Consolidated margin is expected to increase to 21% with shift in the sales mix towards value-added products and operating leverage benefits arising from improvement in utilisation. However, cotton price is a monitorable.

Key risks: Forex fluctuations and downturn in key export markets

The company generates ~55% of its revenue from exports; the US and the EU account for 80-90%. Therefore, downturn in these markets poses a risk to our estimates. Additionally, strengthening of the rupee versus the US dollar /euro pose a risk to revenue and margin estimates. Any significant capex leading to increase in debt is a potential risk to our fundamental grade.

Fair value increased to ₹128 per share

We have broadly maintained our earnings estimates. However, we have lowered the cost of equity to 15.5% as a result of revision in the fundamental grade. Consequently, we have increased our fair value to ₹128. The fair value implies P/E multiples of 15.4x and 12.9x on FY18E and FY19E EPS, respectively. At the current price of ₹97, our valuation grade is **5**/5.

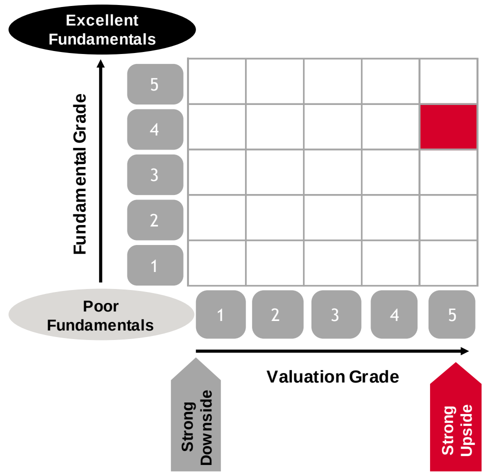
KEY FORECAST

(₹ mn)	FY15	FY16	FY17	FY18E	FY19E
Operating income	37,626	36,755	46,983	53,277	58,656
EBITDA	6,762	7,395	9,565	10,972	12,307
Adj net income	1,153	2,351	3,312	4,243	5,046
Adj EPS (₹)	2.3	4.6	6.5	8.3	9.9
Dividend yield (%)	0.6	0.6	1.5	2.1	2.5
RoCE (%)	10.4	8.0	9.4	12.1	14.5
RoE (%)	9.7	12.1	12.8	14.6	15.6
PE (x)	43.7	21.5	15.2	11.9	10.0
P/BV (x)	3.5	2.1	1.8	1.7	1.5
EV/EBITDA (x)	11.3	11.6	8.2	6.8	5.7

NM: Not meaningful; CMP: Current market price

Source: Company, CRISIL Research estimates

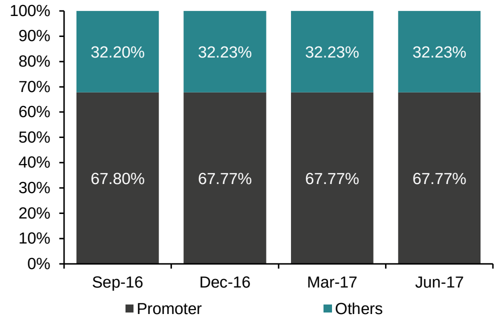
CFV MATRIX



KEY STOCK STATISTICS

NIFTY/SENSEX	9952/31810
NSE/BSE ticker	TRIDENT/TRIDENT
Face value (₹ per share)	10
Shares outstanding (mn)	509.6
Market cap (₹ mn)/(US$ mn)	47,902/748
Enterprise value (₹ mn)/(US$ mn)	75,652/1182
52-week range (₹)/(H/L)	101/45
Beta	1.1
Free float (%)	32.2%
Avg daily volumes (30-days)	1,586,393
Avg daily value (30-days) (₹ mn)	138.3

SHAREHOLDING PATTERN



PERFORMANCE VIS-À-VIS MARKET

	Returns			
	1-m	3-m	6-m	12-m
Trident	14%	18%	33%	71%
NIFTY 500	-1%	4%	12%	16%

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

CRISIL Independent Equity Research reports are also available on Bloomberg (CRI <go>) and Thomson Reuters.

Table 1: Trident - Business environment

Product / segment	Cotton yarn	Home textiles	Paper
Revenue contribution (FY17)	33%	49%	18%
Revenue contribution (FY19E)	22%	61%	17%
Geographic presence	Domestic: 68% Exports: 32% (China, Hong Kong, Bangladesh, Pakistan)	Domestic: 11% Exports: 89% (the US, Europe, Australia)	Domestic: 91% Exports: 9% (the US, UK, UAE, Sri Lanka and Nepal)
Market position	The cotton yarn market is highly fragmented. Trident is one of the large players with a spindle capacity of 0.6 mn	Largest player of terry towels in India with a capacity of 90,000 metric tonnes per annum (mtpa) and a large player in bed linens with a plant capacity of 43.2 mn meters	A prominent but relatively small player in the writing & printing (W&P) paper segment with a capacity of 1,75,000 tpa
Sales growth (FY15-FY17 – 2-yr CAGR)	9.8% (7.7% volume CAGR, 2.0% realisation CAGR)	• Terry towel: 13.9% (17.0% volume CAGR, -2.6% realisation CAGR) • Bed linen: Not applicable	3.3% (1.8% volume CAGR and 1.5% realisation CAGR)
Sales forecast (FY17-FY19E – 2-yr CAGR)	Decline ~8% (-10% volume CAGR owing to more captive consumption, 2% realisation CAGR)	• Terry towel: 15% (12% volume CAGR, 2% realisation CAGR) • Bed linen: 48% (44% volume CAGR, 3% realisation CAGR)	5% (2% volume CAGR, 3% realisation CAGR)
Demand drivers	• Cotton yarn demand to grow at a CAGR of 3-4% over FY17-22 owing to better economic activity, rising disposable income and the government's initiatives aimed at improving competitiveness of exports	• Improving competitiveness of India in the export markets • Demand in the US is expected to increase led by economic growth and largely stable employment rate	• Demand for the branded copier segment is estimated to grow at a CAGR of 9-10% over FY17-22 owing to rise in incremental spend on stationery by corporates and rise in the number of offices, coupled with steady growth in service industry
Key competitors	• Vardhman Textiles Ltd, KPR Mills, Nahar Spinning Mills Ltd	• Terry towels: Welspun India Ltd, Alok Industries Ltd • Cotton bed sheets: Welspun India Ltd, Himatsingka Seide Ltd and Indo Count Industries Ltd	• JK Papers Ltd, Tamil Nadu Newsprint Papers Ltd, Ballarpur Industries Ltd, West Coast Paper Mills Ltd
Key risks	• Volatility in cotton prices • Competition primarily from other large players	• Further appreciation in the rupee versus the US dollar and euro may impact earnings • Rise in competition from China, Pakistan, Vietnam and Bangladesh	• Increase in prices of raw materials - wheat straw and pulp • Rise in competition from larger players

Source: Company, CRISIL Research

Grading Rationale

Moved up the value chain

From a cotton yarn manufacturer to an integrated home textile major

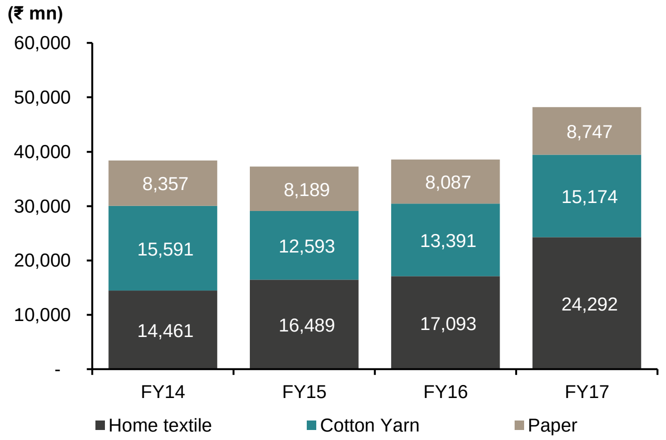
Over the years, Trident has successfully transitioned to an integrated home textile player from a cotton yarn manufacturer. With its foray in the bed linen segment in FY16, the company has further strengthened its position in home textiles, both in India and overseas. As of FY17, the segment constituted ~49% of total revenue as against 28% in FY14. With increase in utilisation levels, especially in the bed linen segment, we expect home textiles to contribute ~61% by FY19.

Revenue share of the high-margin home textile segment to increase

Apart from this, Trident is one of the largest wheat straw-based paper manufacturers. The company has gradually shifted to branded copier paper; its volume share increased to 52% in FY17 from 45% in FY13. In FY19, owing to limited room for growth due to existing high utilisation (~89% in FY17), we expect the paper segment to contribute ~17% of revenue.

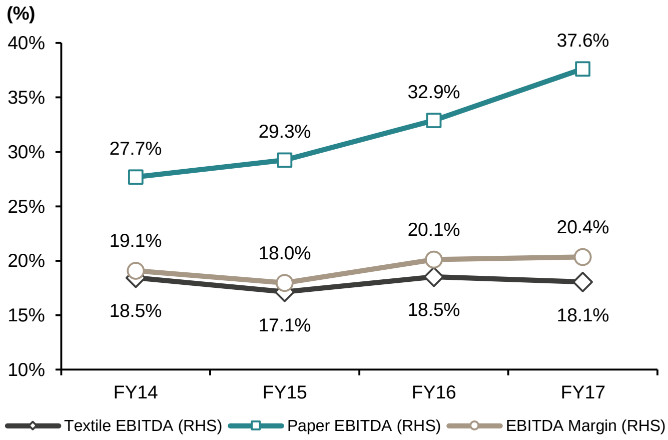
We view the rising share of less commoditised, high-margin business in home textiles and paper as a positive.

Fig 1: Gradual shift to home textiles and copier paper…



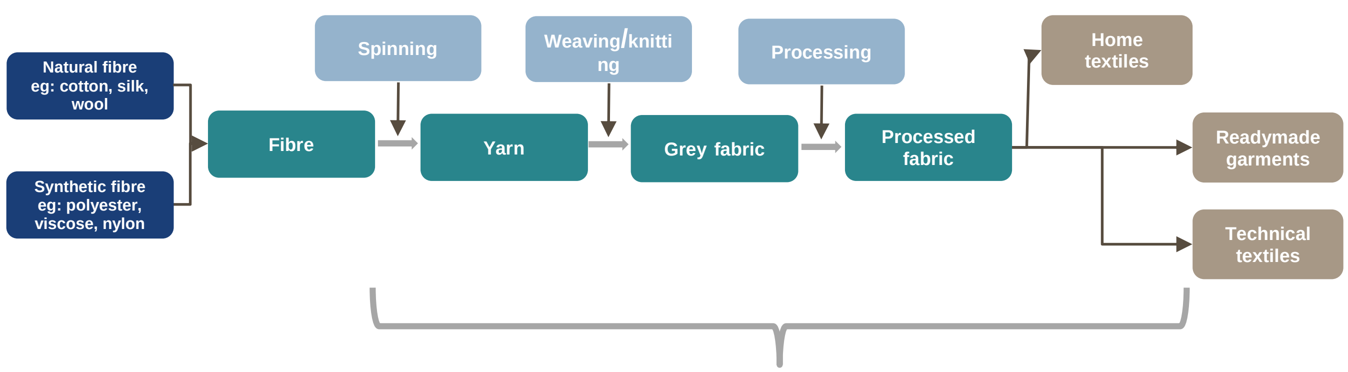
Source: Company, CRISIL Research

Fig 2: … aided margin expansion



Source: Company, CRISIL Research

Fig 3: Trident's vertically integrated operations span the textile value chain



Source: CRISIL Research

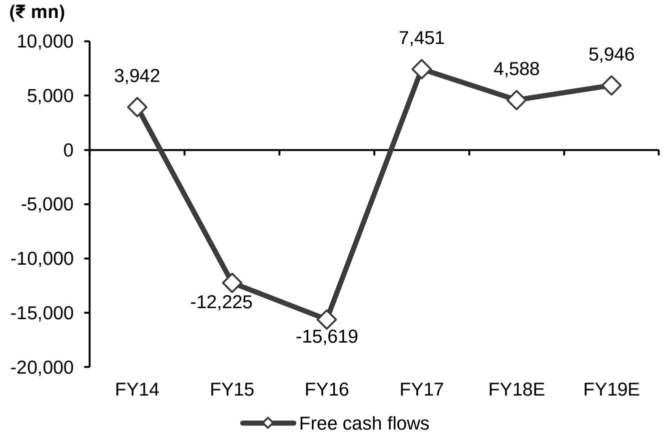
Generation of healthy free cash flows resulted in high-cost debt prepayment; deleveraging to continue

With the completion of largely debt-funded capex phase in FY16 and subsequent ramp-up in utilisation in the home textile segment, the company has started generating healthy free cash flows. This enabled it to repay ₹5,760 mn of debt in FY17, ~39% of which was high-cost. Further, its debt-equity ratio improved to 0.8x in FY17 (1.8x in FY15) owing to repayment as well as partial prepayment of high-cost debt. As of June 30, 2017, out of the total long-term debt of ₹18.2 bn, more than 75% falls under TUFS at a low interest rate.

High-cost debt pre-payment to result in healthier balance sheet

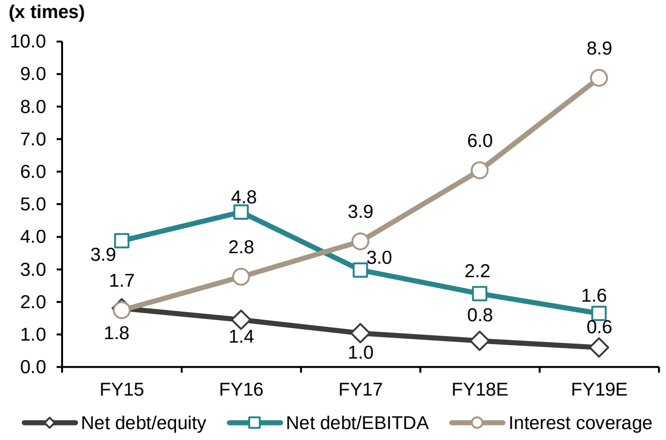
With no major capex plans in the near to medium term and healthy cash flow generation, we expect the company to continue prepaying debt leading to a stronger balance sheet and resulting in a D/E of 0.5x in FY19.

Fig 4: Healthy cash flows generation …



Source: Company, CRISIL Research

Fig 5: … to deleverage the balance sheet



Source: Company, CRISIL Research

Home textiles: Many growth levers exist…

Given opportunities in the global and domestic home textile markets, we expect the company's home textile revenue to grow at a CAGR of 19.5% over FY17-19. The Indian home textile industry saw 12% growth in the past five years aided by strong demand from exports (~14% CAGR). CRISIL Research estimates home textile exports to grow moderately at 7% over FY17-19 owing to demand slowdown in key markets and domestic demand to grow at a CAGR of 10-12% over FY16-19 as a result of favourable demographic factors. Owing to Trident's continuous marketing efforts within the domestic markets, strong global clientele and India's advantageous position in the global textile market, we believe the company is well placed to outpace the market. The following factors are likely aid growth –

Favourable trade policies and steady demand from the US

In order to enhance export competitiveness of the textiles sector, the Government of India introduced various schemes and policies over the years. As Trident derives major portion of home textile revenue from exports (89% in FY17), schemes implemented by the government such as the Merchandise Exports from India Scheme (MEIS), Rebate of State Levies Scheme (ROSL) and Export Promotion Capital Goods Scheme (EPCG) bode well for it. Earlier, various textile sub-segments such as made-ups (the company's products fall under this category) were not included in these schemes. However, owing to the government's efforts to increase textile exports, these have now been included.

Government to reassess schemes

With the implementation of GST, the government has taken a step to reassess state levies rebate and duty drawback schemes. This is owing to the apparent double benefit exporters would have been able to avail: i) input credit on raw materials owing to GST and ii) duty drawback benefits on the value of goods.

Currently, exporters may avail any one of the schemes, but the same may be modified by September 30, 2017.

Table 2: Government's initiatives to promote the textile industry

Initiative	Details	Implication for Trident
TUFS/ATUFS	Launched in 1999 to provide easy access to capital for technology upgradation, wherein a 5% interest subsidy was provided. In January 2016 it was replaced by amended TUFS, which allows a one-time capital subsidy limited to ₹500 mn for eligible benchmarked machinery over 2016-22.	Trident procured machinery for expanding its facilities under TUFS, wherein it is still receiving 5% interest subsidy benefit. Other players with expansion plans in the near term may not be able to avail the interest subsidy under ATUFS, which is positive for Trident.
MEIS	Launched in April 2015, MEIS provides duty reward to eligible textile and apparel categories to an extent of 2-5% of FOB value in certain countries.	The company receives a duty credit scrip of 2% on exports, thereby enabling cost competitiveness in the export markets.
State policies	Madhya Pradesh – interest subsidy, capital subsidy as well as tax exemption	The company receives interest subsidy from the state government.
ROSL	The scheme, implemented in March 2017, aims at making exports competitive as exporters of made-ups get rebate (on certain state levies) of up to 3.9% of the value of exported goods.	Owing to implementation of GST, the scheme is being reassessed and may be updated by September 30, 2017.
Export Duty Drawback Scheme	Under this scheme, exporters can avail refund of excise and import duties paid on raw materials.	The company benefitted from duty drawback and refund of excise until FY17, but owing to implementation of GST, the scheme is being reassessed and may be updated by September 30, 2017.
EPCG	Capital goods for exports of agricultural products and value-added variants would be allowed at 0% duty subject to an export obligation equivalent to 8 times of duty saved on capital goods imported under EPCG to be fulfilled over eight years from the date of issuance of licence.	

Source: Ministry of Textiles, CRISIL Research

Supported by the government's impetus on textile exports and driven by steady improvement in consumption spending and employment rate in the US, we expect the demand for home textiles in the US to increase, which bodes well for the company as it generates 65-70% of home textile sales from the US.

65-70% of Trident's home textile revenue comes from the US

Withdrawal of US from the Trans-Pacific Partnership (TPP) is a positive

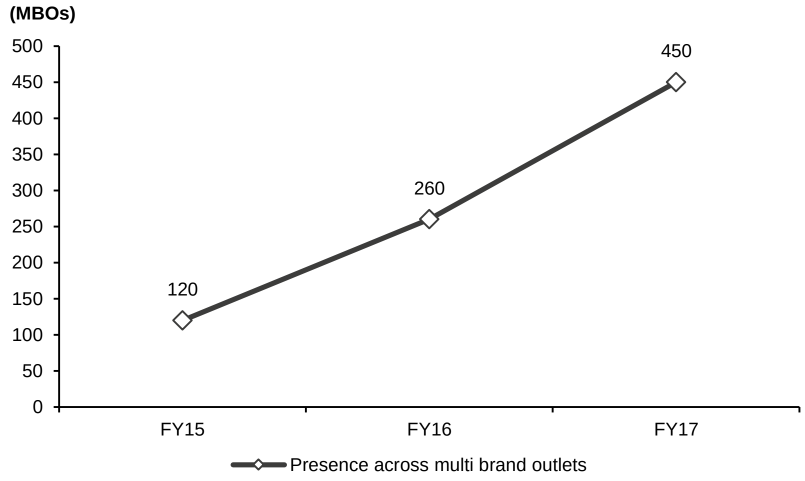
On January 30, 2017, under leadership of President Donald Trump, the US withdrew itself from TPP. The agreement would have posed a threat to India's textile exports owing to the yarn forward rule. Therefore, the US' exit from TPP is viewed as a positive for Indian textile exporters as a major portion (60-65%) of their exports are to the US.

Improvement in domestic demand

Domestic demand for home textiles is expected to increase on account of rising disposable income, rapid urbanisation and increase in working age population. Demand is expected to emanate from tier III and tier IV cities, emerging townships and online platforms. Moreover, the company has taken several steps towards establishing a brand name in the domestic markets by engaging with ~450 multi-brand outlets in FY17 compared to 120 in FY15. The company also sells its products through online portals (Amazon, Flipkart, Snapdeal, Paytm, Myntra and Jabong) and is focusing on increasing presence in the institutional segments such as hotels. Although the domestic market accounts for 11% of home textile revenue, robust growth in this market is likely to boost overall revenue.

Present across 450 outlets in FY17 versus 120 outlets in FY12

Fig 6: Growing presence in domestic markets



Source: Company, CRISIL Research

Efforts to tap new geographies

With an aim to widen customer base and expand geographical reach, Trident has increased its overseas marketing efforts such as establishing local sales offices and increasing participation in exhibitions. This has enabled it to enter and build a base in new markets such as the Middle East, China and Latin America over the past couple of years. We expect these efforts supported by India's cost advantage over other textiles exporters such as China to result in increased order flow from non-traditional markets.

Apart from this, to strengthen its reach in Europe (15-20% of FY17 home textile revenue), the company has set up marketing offices in the UK. We do not expect Brexit to impact the company significantly owing to established customer relationships and good product quality.

Implementation of GST

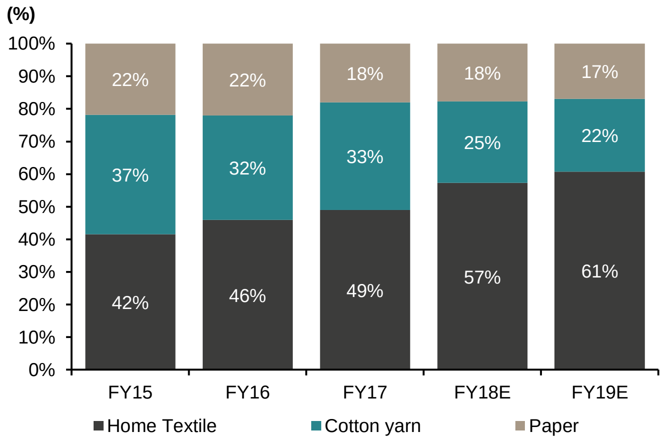
The domestic home textile market is dominated by unorganised players owing to their cost competitiveness mostly as a result of poor tax compliance. With the implementation of GST, we believe the less efficient and non-compliant unorganised players may not be able to sustain in the long run resulting in a shift of demand towards organised players, leading to better growth. Further, we expect Trident to benefit more as compliance costs are expected to be comparatively lower as it is a vertically integrated player.

Backward integration to result in lower GST compliance costs

… As well as margin expansion

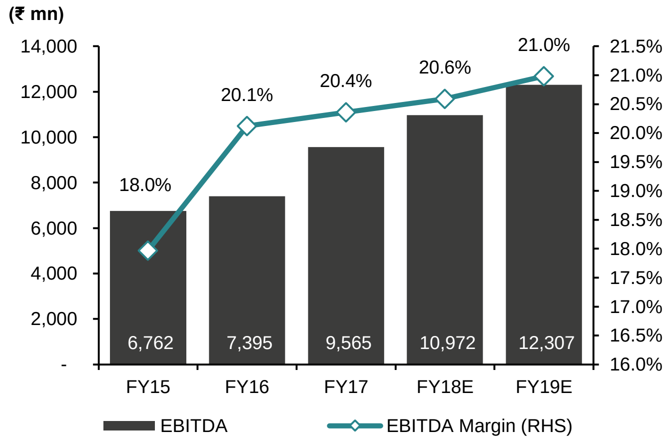
We expect the company's consolidated EBITDA margin to expand 60 bps to 21.0% in FY19 from 20.4% in FY17 driven by a) operating leverage benefits with increase in utilisation in home textiles, b) change in the product mix and c) more captive consumption of low-margin cotton yarn. However, forex headwinds and increase in cotton price pose significant challenges to margin expansion.

Fig 7: Improving share of value-added textile products …



Source: Company, CRISIL Research

Fig 8: … to enable further margin expansion



Source: Company, CRISIL Research

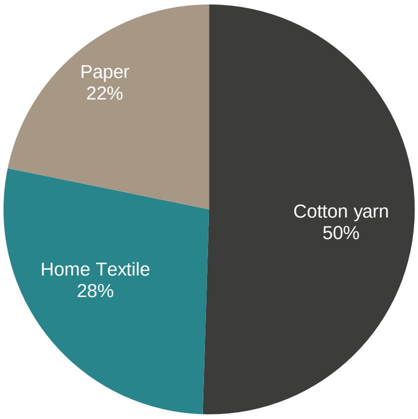
Operating leverage benefits as a result of improvement in utilisation

We expect operating leverage benefits to stem from gradual ramp-up in utilisation in the home textile segment. Given the large addressable market, long-standing relationships with globally renowned players and opportunity to cross-sell bed linen products to existing customers in terry towels, we estimate the company's utilisation to increase – 1) terry towels: increase to 65% in FY19 from 50% in FY17 and 2) bed linen: improve to 57% in FY19 from 29% in FY17.

Change in product mix

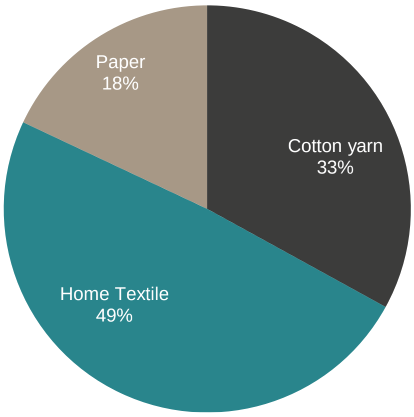
As mentioned, the company has gradually shifted from cotton yarn to home textiles which typically fetches superior margin. Additionally, compared to cotton yarn, home textile margin is less susceptible to changes in cotton price owing to lower proportion of raw material cost in sales. Further, within the bed linen segment, the company has shifted from unprocessed grey fabrics to processed fabrics and bed sheets that are margin accretive. We expect this move to enable better profitability contribution from the home textiles segment.

Fig 9: Share of comparatively lower-margin cotton yarn declined from 50% in FY14…



Source: Company, CRISIL Research

Fig 10: … to 33% in FY17. Expect it to be <25% by FY19

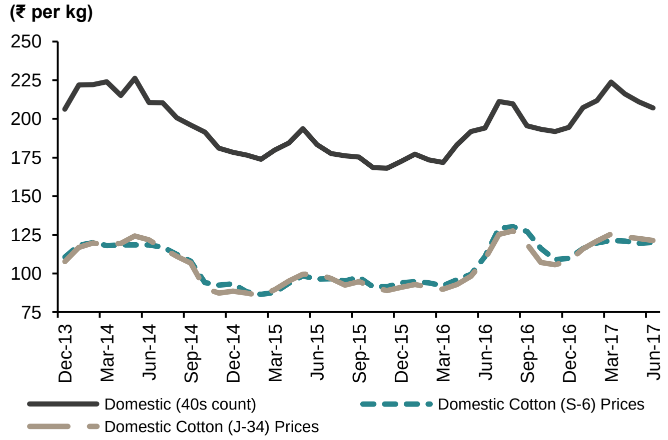


Source: Company, CRISIL Research

Rising captive consumption of low-margin cotton yarn

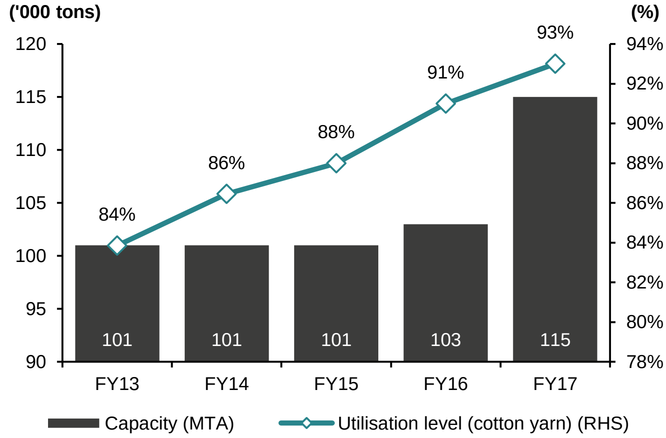
With the increase in utilisation in the home textile segment, we expect the captive consumption of yarn to increase to 47% in FY19 from 35% in FY17. Cotton yarn typically fetches lower margin than value-added products such as home textiles. Sharp rise in cotton prices adversely affect margins of cotton yarn players since yarn prices are highly correlated with cotton prices. Therefore, increase in captive consumption of cotton yarn by home textiles not only reduces margin volatility but also improves margins.

Fig 11: Cotton prices and yarn prices move in tandem



Source: Industry, CRISIL Research

Fig 12: Utilisation up aided by captive consumption



Source: Company, CRISIL Research

Competitive landscape of home textile industry: Trident has emerged as a leading player

Trident has emerged as a leading integrated textile manufacturer with presence in terry towels, bed linen and cotton yarn. With a capacity of ~90,000 MT/annum, Trident has the largest capacity of terry towels in India. It is also one of the major players in bed linen with a capacity of 43.2 mn metres.

Table 3: A leading player in the home textile industry

As of FY17	Trident	Welspun	Indo Count	Himatsingka
Home textiles product mix	Terry towel Bed linen	Bed linen Terry towel Carpets and rugs	Bed linen	Terry towels Bed linen Drapery & upholstery
Revenue (₹ mn)	47,831	66,405	22,578	21,384
Existing capacity	Terry towel: 90,000 TPA Bed linen: 43.2 mn metre	Terry towel: 72,000 TPA Bed linen: 90 mn metre Bath rugs: 10,000 sq metre	Bed linen: 90 mn metre	Bed linen: 46 mn metre Drapery & upholstery: 2.2 mn metre
Planned capacity expansion (FY17)	-	Planned investment of ~Rs 7,000 mn in FY18, primarily to expand terry towel by 8,000 TPA	Bed linen: envisaged capex of ₹3,000 mn	Expanding its spinning facilities by 211,584 spindles. Foray into terry towels – 25,000 TPA
EBITDA margin	20.4%	23.8%	19.0%	18.3%
RoCE	9.4%	19.3%	34.0%	15.4%
Net D/E	0.8x	1.3x	0.3x	1.1x
Interest coverage	3.9x	7.3x	9.4x	3.6x

*Note: Financial figures as of FY17,

Source: Industry, Company, CRISIL Research

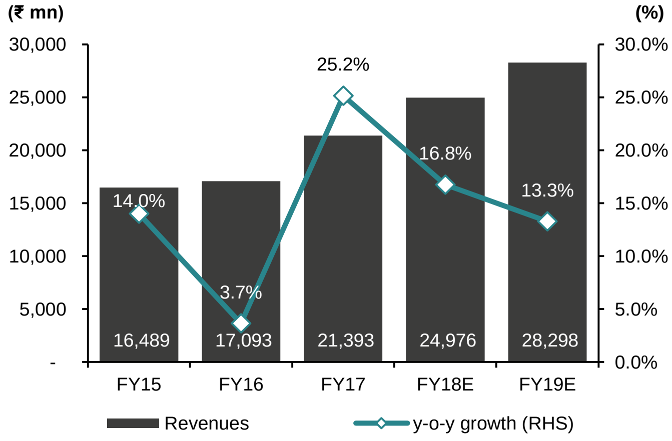
Terry towel: Growth traction to continue

Adequate capacities in place, utilisation likely to increase

Largest manufacturing capacity of terry towels in India

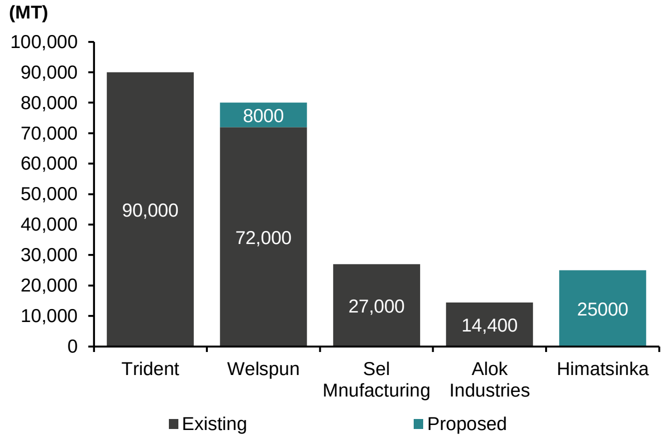
With expansion of its terry towel capacity to ~90,000 MT/annum, the company now has one of the largest terry towel manufacturing facilities. With favourable demand outlook in export and domestic markets, the company's terry towel sales are estimated to increase at 15% CAGR over FY17-19 and utilisation is expected to increase to 65% from 52% over the same period.

Fig 13: Terry towel revenue to grow at a CAGR of 15% over FY17-19



Source: Company, CRISIL Research

Fig 14: Trident has the largest terry towel capacity in India



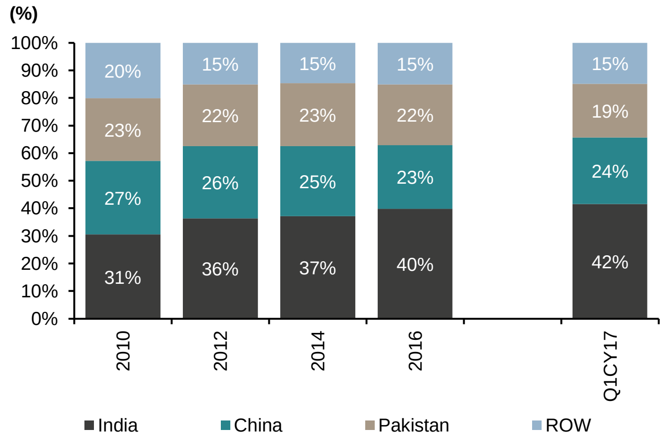
Source: Company, CRISIL Research

Expect demand from key traditional markets

Realisations of terry towel exports to the EU increased in Q1CY17

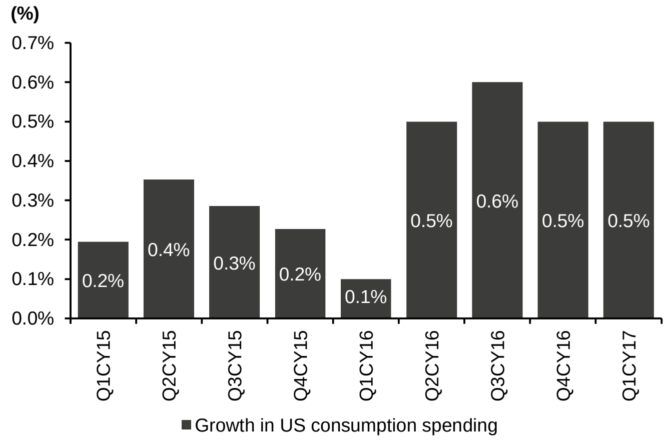
India's market share in the US imports of terry towels improved considerably to 40% in 2016 from 28% in 2008 owing to a) India's competitive position in terms of cost of labour and power, b) India being the largest cotton producer as well as net exporter of cotton as against China and Pakistan which are net cotton importers, and c) steadily improving consumption spending and stable unemployment rates (unemployment rate of 4.3% as of June, 2017). We expect the company's terry towel exports to the US to pick up given the advantageous position of Indian home textile players in the US, the demand uptick and a robust clientele such as JC Penny, Target, Walmart and IKEA.

Fig 15: Terry towel exports to US rose to 42% in Q1CY17



Source: OTEXA, CRISIL Research

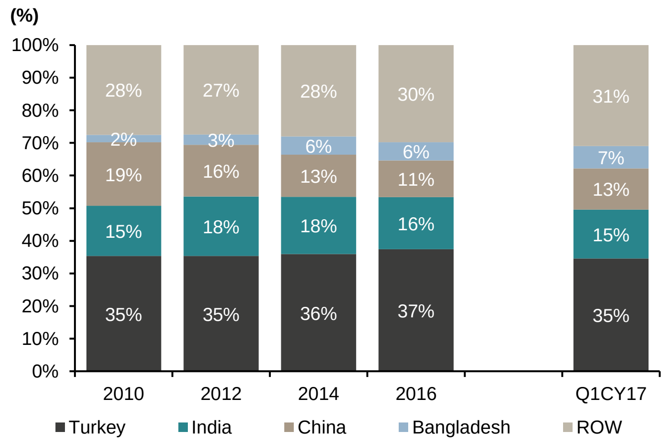
Fig 16: US consumption spending inched up in Q1CY17



Source: CRISIL Research

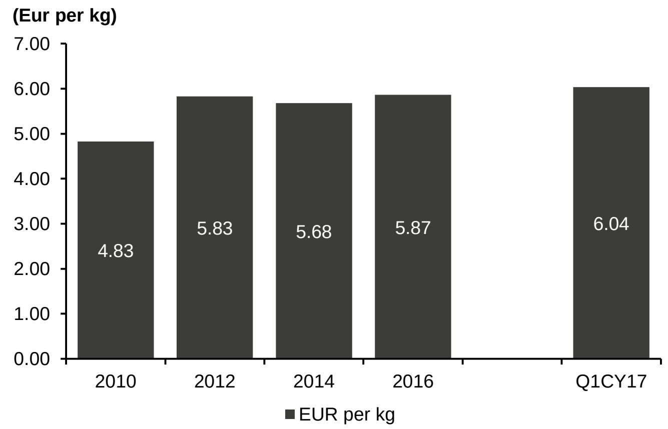
Apart from this, the company has set up marketing offices in the UK to strengthen relationships with clients, offer a wider product range and implement new strategies for product promotion, thus widening the company's reach in those markets. Although countries such as Turkey have had a dominant share in terry towel exports to the EU, and India's share has been stable (15-18%), we expect the company's marketing efforts in these regions to enable it to strengthen its position and garner market share.

Fig 17: Stable share of India's terry towel exports to EU



Source: Eurostat, CRISIL Research

Fig 18: India's realisations have improved



Source: Eurostat ,CRISIL Research

Bed linen: Cross-selling opportunities to enable high growth, albeit on a low base

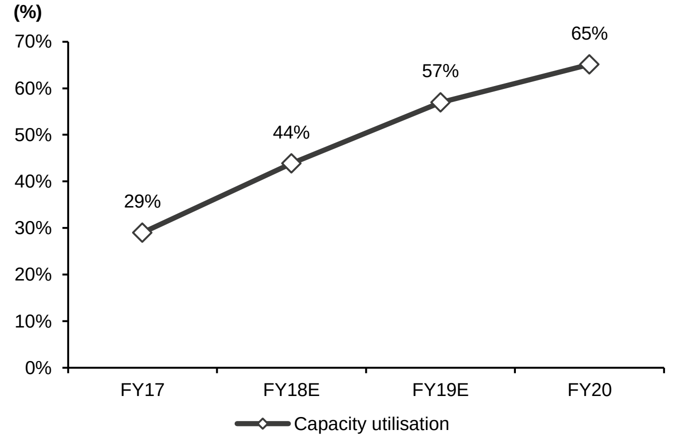
Significant cross-selling opportunities

To reiterate, Trident has well established relationships with global organised retailers such as Walmart, Target, IKEA and JC Penny. Leveraging this, the company has multiple cross-selling avenues for bed linen products and has the potential to emerge as a one-stop-shop for bed and bath linen for existing and potential clients. This, in turn, would help the company improve its capacity utilisation.

Utilisation levels to rise

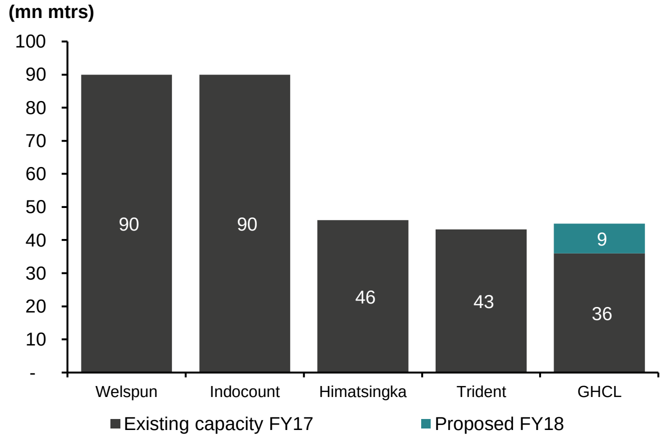
The company commissioned its bed linen facility with a capacity of 43.2 mn meters at the end of FY16 and operated at a utilisation rate of ~29% in FY17. With an established client base in the terry towel segment and significant cross-selling opportunities, we expect the utilisation rate to improve to ~57% in FY19. As a result, we expect the bed linen segment to constitute 11% of FY19 revenue.

Fig 19: Capacity utilisation to increase to 65% by FY20



Source: Company, CRISIL Research

Fig 20: A major player in the bed linen segment



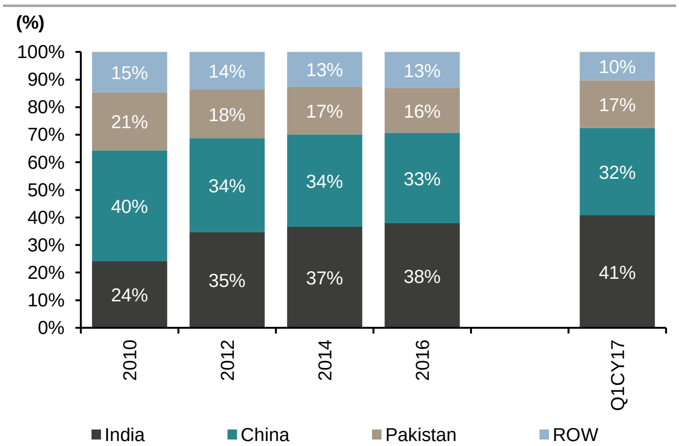
Source: Industry, CRISIL Research

Strengthening market share in the US

Over the past decade, India has emerged as a preferred supplier of cotton bed linen to the US owing to the aforementioned advantages. Within the cotton bed linen, the US imports increased to ~41% in Q1CY17 from ~17% in 2008. With the withdrawal of the US from the TPP, we expect Indian home textile exporters to enhance their share in the US gradually.

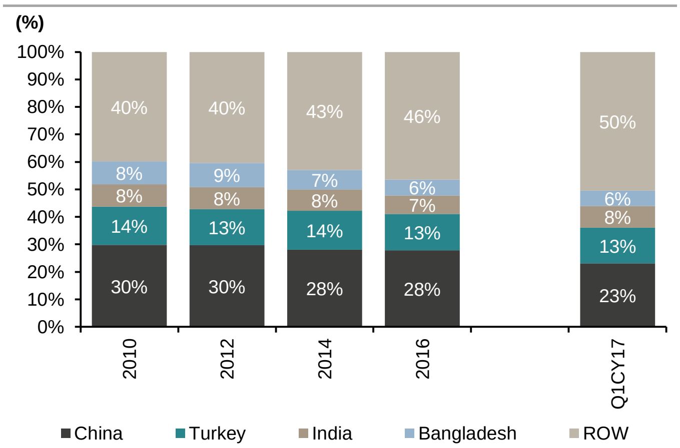
While the US offers a level playing field, within Europe preferential tariff rates to some competing countries such as Turkey (which has a Customs Union Agreement) have led to an almost stable market share for India (13-14% over CY10-Q1CY17) in the bed linen segment as well.

Fig 21: India's share in cotton bed linen exports to the US on the rise



Source: OTEXA, CRISIL Research

Fig 22: Stable EU imports of Indian cotton bed linen over CY10-16



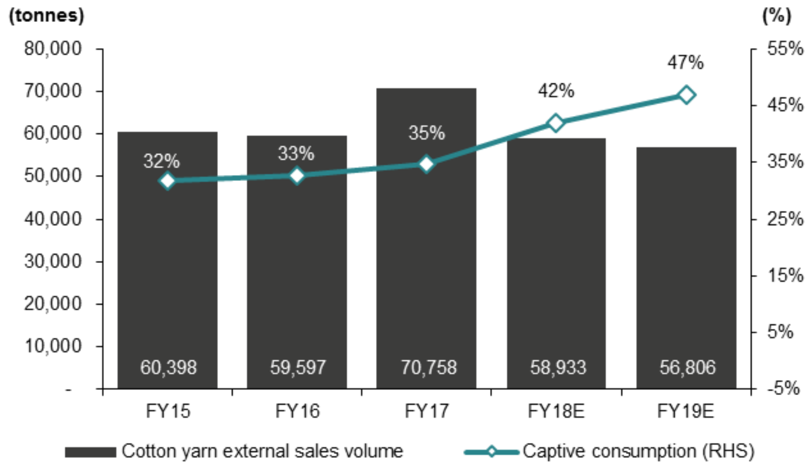
Source: Eurostat, CRISIL Research

Cotton yarn: Lower external sales as captive consumption rises

With increase in utilisation in the home textile segment, we expect captive consumption of yarn to rise from 35% in FY17 to 47% in FY19. Incremental captive consumption will be driven by utilisation ramp-up within the bed linen segment and supported by gradual increase in utilisation in terry towel facilities. Owing to rising captive consumption, external sales volume is expected to decline to ~57,000 tonnes in FY19 from ~71,000 tonnes in FY17.

Trident's share of domestic cotton yarn sales increased to 68% in FY17 from ~60% over FY14-16

Fig 23: Increasing captive consumption



Source: Company, CRISIL Research

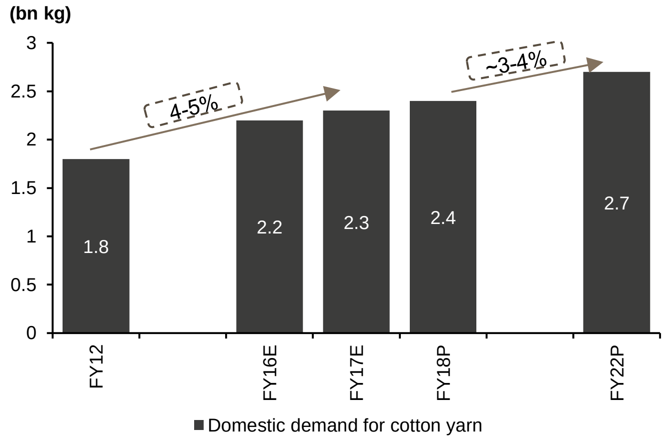
Cotton yarn demand to rebound after muted growth in FY17

Captive consumption of cotton yarn to increase to 47% in FY19

CRISIL Research estimates cotton yarn demand to grow at a CAGR of 3-4% over FY17-22 owing to better economic activity, rising disposable income and the government's initiatives aimed at improving the exports competitiveness of readymade garments (RMG). Domestic demand for cotton yarn is expected to grow at a CAGR of 3-4% on a moderately high base, whereas derived demand (yarn used for manufacturing RMG and home textiles that are exported) and direct exports are expected to grow at a CAGR of 3.0-3.5% and 2-3%, respectively, albeit on a low base.

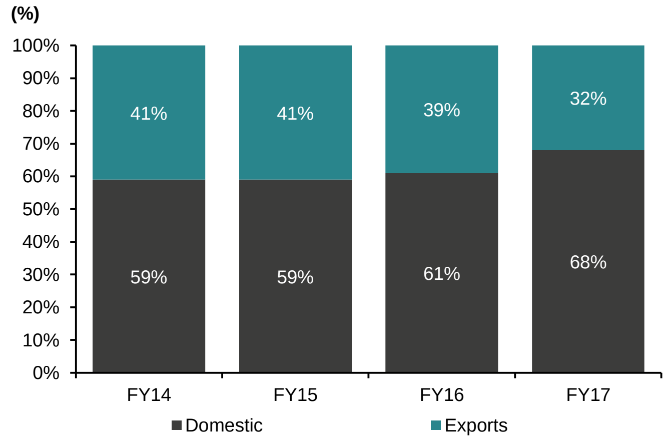
In FY17, demand for cotton yarn was hit as derived demand and direct yarn exports came under pressure (as also seen in Trident's yarn sales, wherein 32% of sales came from exports in FY17 as against ~40% over FY14-16).

Fig 24: Rising direct domestic demand…



Source: Company, CRISIL Research

Fig 25: …resulted in higher share of domestic yarn sales



Source: Company, CRISIL Research

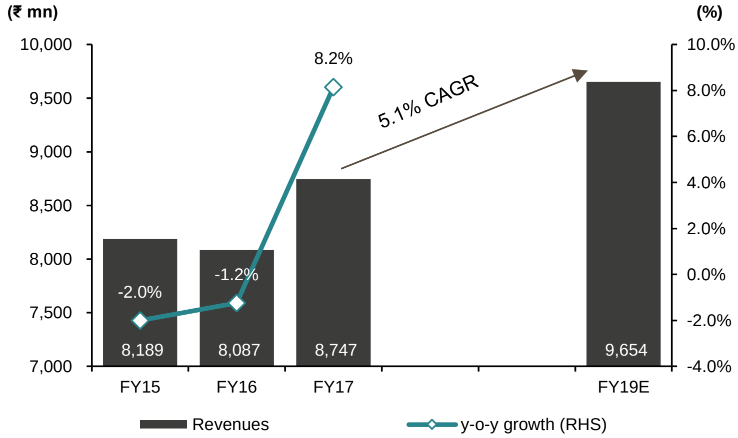
In FY18, domestic demand is expected to be a key driver owing to improvement in end-consumer spending and the recently implemented GST, which is marginally positive for the spinners (cotton yarn to attract the lowest tax slab of 5%). Further, derived demand is expected to revive as demand from non-traditional markets recover and the US and the EU show improvement in clothing consumption. Particularly for the US – higher growth outlook by the International Monetary Fund (IMF) supported by an increasing employment rate (unemployment rate at 4.3% as of June 2017) is expected to bring cheer to garment exporters leading to an uptick in derived demand. This bodes well for the company as it supplies cotton yarn to various domestic fabric players who, in turn, cater to RMG players.

Paper: High utilisation, competition to limit growth

We expect the paper business to grow at a moderate 5.1% CAGR over FY17-19 owing to increasing competition within domestic markets as well as existing high utilisation levels of the company. We expect volume CAGR of ~2% and realisation CAGR of ~3% over the same period. During FY12-17, demand for writing and printing paper grew at a CAGR of 3.4% to 4.3 MT and accounted for 30% of the Indian paper industry. Over FY17-22, with growing impetus towards the education sector, with improving literacy rates and on account of a likely pick-up from the corporate sector, W&P paper demand is expected to grow at a CAGR of 5.5-6.5%.

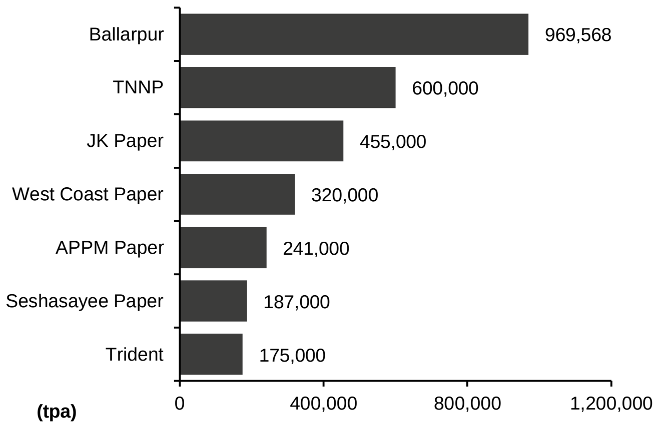
Paper business has higher EBITDA margin than peers

Fig 26: Paper revenue to grow at 5.1% CAGR over FY17-19



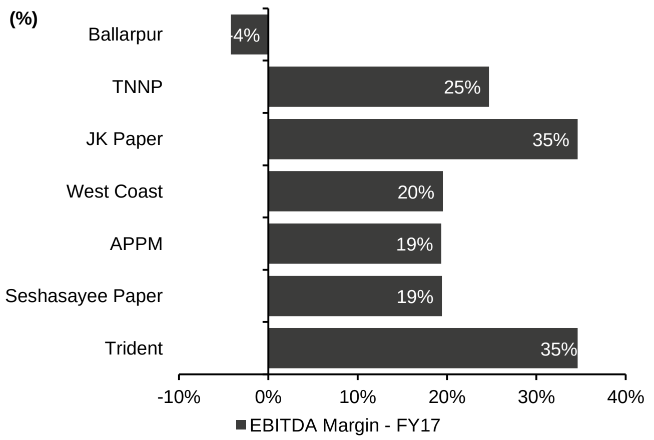
Source: Company, CRISIL Research

Fig 27: Trident has one of the lowest capacities…



Source: Company, Industry, CRISIL Research

Fig 28: … but the highest EBITDA margin

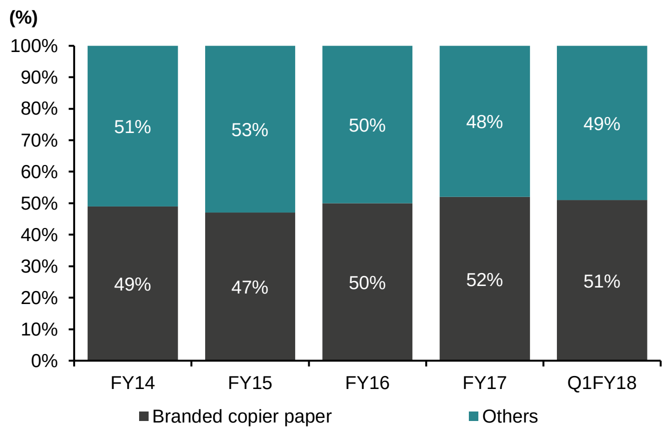


Source: Company, Industry, CRISIL Research

Expect margin to improve with growing share of copier paper

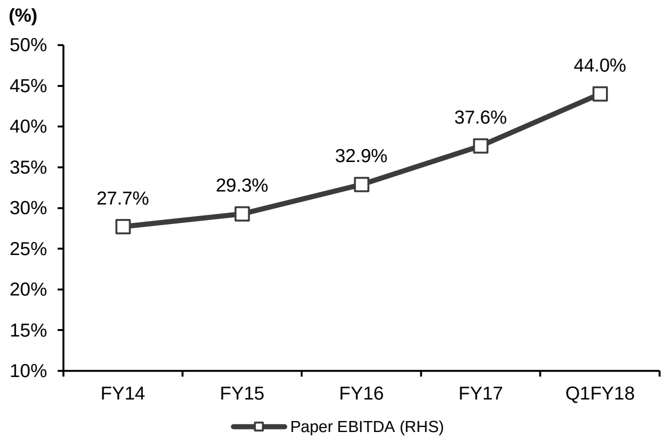
Demand for copier paper, which accounts for more than 50% of the company's sales, is expected to grow at 9-10% CAGR through FY22 on account of rise in incremental spend on stationery by corporates and rise in the number of offices, coupled with steady growth in the service industry. Therefore, we expect the company's sales volume to further shift towards copier paper, leading to margin expansion.

Fig 29: Share of branded paper has increased …



Source: Company, CRISIL Research

Fig 30: … leading to better margins



Source: Company, CRISIL Research

Key Risks

Forex fluctuations

As the company has a footprint in ~100 countries and its exports constitute ~55% of revenue (FY17), which is expected to increase further as a result of its efforts to widen the customer base, sharp fluctuation in currencies may impact our estimates.

Geographical concentration

Within the home textile segment (~50% of revenue), ~90% is derived from exports – of this 80-90% is from the US and Europe. Change in regulations (e.g. events such as Brexit) or acute slowdown in these economies can adversely impact the company's business.

Withdrawal of government's incentives

With the government's impetus on Make in India as well as promoting exports, textile players can take advantage of various incentives such as the rebate of state levies, duty drawback, ATUFS, etc. However, withdrawal of such schemes can adversely impact the earnings of the company and impact our estimates.

Delay in getting customer approvals and ramp-up of bed linen

We expect the company to achieve ~57% utilisation rate in the bed linen unit by the end of FY19. However, slower-than-expected ramp-up in sales owing to delay in getting customer approvals or orders will significantly impact sales and, therefore, PAT.

Q1FY18 Result Update

Trident's Q1FY18 standalone earnings were broadly in line with CRISIL Research's expectations. During the quarter, revenue increased 1.8% y-o-y, but declined 7.9% q-o-q, to ₹11.7 bn owing to subdued local demand during the transition phase of the GST implementation. EBITDA margin contracted ~90 bps y-o-y owing to lower margin in the home textile segment on the back of an appreciating rupee, but expanded 286 bps q-o-q to 19.7% after the adverse effect of demonetisation waned.

Home textile margin contracted; overall margin sustained owing to paper division

EBITDA was ₹2.3 bn and EBITDA margin contracted ~90 bps y-o-y, but expanded 286 bps q-o-q, to 19.7%. The y-o-y softening of margin was primarily on account of subdued demand for home textile exports, thereby resulting in lower margin in the home textile segment (16.5% in Q1FY18 versus 19.2% in Q1FY17). This was practically offset by healthy margin of 44.4% in the paper division, abetted by lower raw material costs, higher branded copier sales volume and better realisations.

Healthy balance sheet; lower interest cost drove profits

During the quarter, the company repaid ₹2.3 bn of its long-term debt, of which ₹1.9 bn was high-cost. Net debt to equity ratio reduced to 0.9x in Q1FY18 and is expected to reduce further. Despite EBITDA margin contraction, owing to a mix of lower interest costs and higher other income, adjusted PAT grew 13.4% y-o-y to ₹889 mn.

Board approved fund raising with an upper limit of ₹5,000 mn

The company's board has approved raising funds (up to ₹5.0 bn) from the capital markets. As per management's guidance, funds are expected to be used for: i) retiring high-cost debt (~13% of total debt) to strengthen the balance sheet, ii) pursuing organic or even inorganic growth opportunity given visible synergies, and iii) increasing working capital requirements following the ramp-up in utilisation.

Q1FY18 Results Summary - Standalone

(₹ mn)	Q1FY18	Q4FY17	Q1FY17	q-o-q (%)	y-o-y (%)
Net sales (net of excise)	**11,684**	**12,683**	**11,482**	**-7.9%**	1.8%
Raw materials cost	5,519	6,536	5,485	-15.5%	0.6%
Raw materials cost (% of net sales)	**47.2%**	**51.5%**	**47.8%**	**-429bps**	**-53bps**
Employees cost	1,482	1,510	1,345	-1.9%	10.2%
Other expenses	2,385	2,507	2,292	-4.8%	4.1%
EBITDA	**2,297**	**2,131**	**2,360**	**7.8%**	-2.7%
EBITDA margin	**19.7%**	**16.8%**	**20.6%**	**286bps**	**-90bps**
Depreciation	1,023	1,010	1,034	1.3%	-1.1%
EBIT	**1,274**	**1,121**	**1,326**	**13.7%**	**-3.9%**
Interest and finance charges	334	321	427	4.1%	-21.8%
Operating PBT	**940**	**800**	**899**	**17.5%**	**4.5%**
Other Income	297	490	121	-39.3%	145.1%
PBT	**1,237**	**1,290**	**1,021**	**-4.1%**	**21.2%**
Tax	348	293	236	18.6%	47.3%
PAT	889	997	785	-10.8%	13.4%
Adj PAT	**889**	**997**	**785**	**-10.8%**	**13.4%**
Adj PAT margin	**7.6%**	**7.9%**	**6.8%**	**-25bps**	**78bps**
No. of equity shares (mn)	509.6	509.6	509.5	NM	NM
Adj EPS (₹)	**1.75**	**1.96**	**1.54**	**-10.8%**	**13.4%**

Source: Company, CRISIL Research

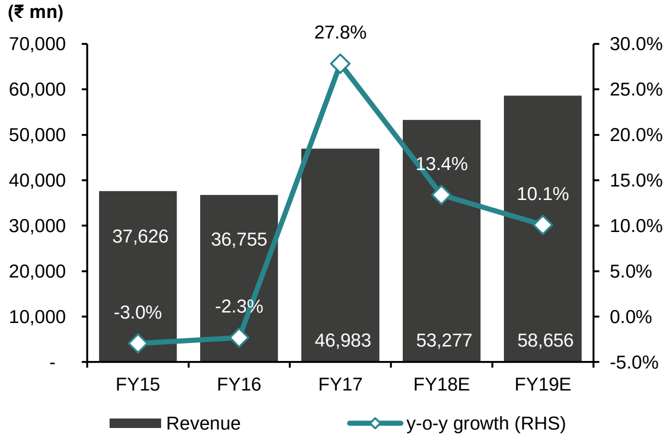
Financial Outlook

Focus on home textiles to drive revenue at 11.7% CAGR over FY17-19

Core revenue growth over FY17-19 to be driven by terry towel and bed linen segments

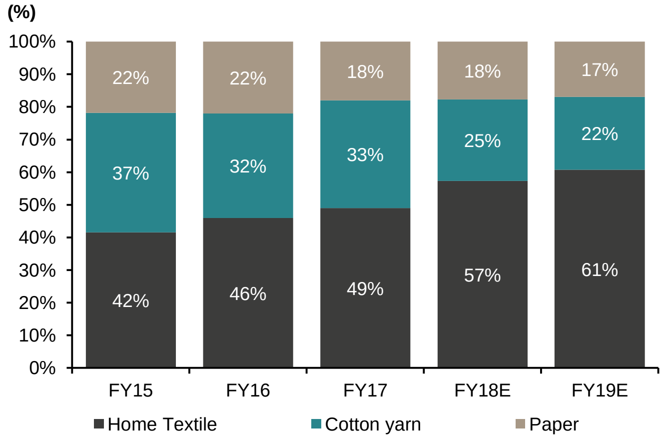
Driven by demand in terry towel and bed linen segments, revenue is expected to grow at a CAGR of 11.7% over FY17-19. Owing to improvement in consumption spending on the back of high employment rate in the US, we expect the terry towel segment to grow at a CAGR of 15% over FY17-19. Owing to cross-selling opportunities and addition of new customers in new markets, the bed linen segment's revenue is expected to grow at a healthy CAGR of 48.5% over the next two years, albeit on a low base. However, growth in home textiles is expected to be offset by sluggish growth in the paper segment and decline in yarn revenue owing to increased captive consumption.

Fig 31: Increasing captive consumption of yarn to limit revenue growth



Source: Company, CRISIL Research

Fig 32: Share of terry towel and bed linen to increase

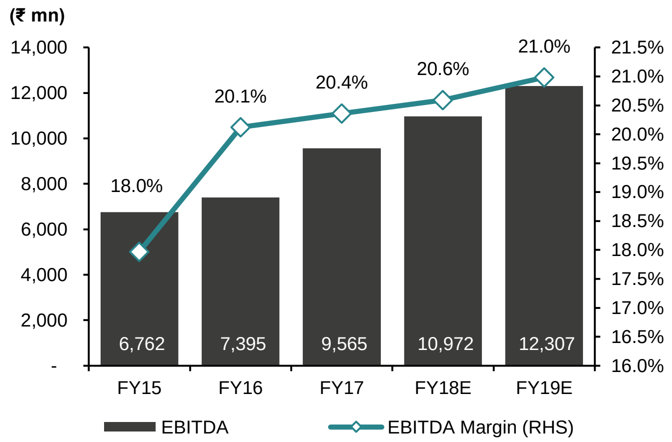


Source: Company, CRISIL Research

Increasing share of value-added products to drive EBITDA margin expansion

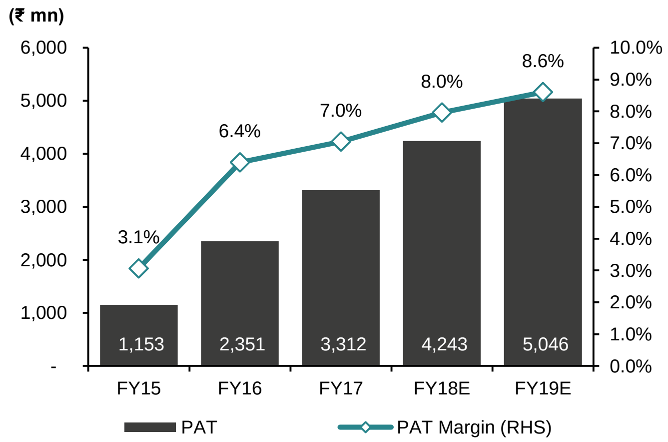
Driven by higher utilisation, leading to operating leverage benefits, and increasing share of value-added products, we expect EBITDA margin to expand ~60 bps to 21.0% over FY17-19. Apart from operating leverage benefits, the government's initiatives such as duty credit scrip of 2% as well as rebate of state levies on exports of made-ups will support EBITDA margin. Within the paper segment, low-cost raw materials such as wheat straw are expected to continue to support higher margin. Consequently, PAT margin is expected to expand at a robust CAGR of 23.4% over FY17-19 on the back of low interest cost.

Fig 33: EBITDA margin to expand 62 bps over FY17-19…



Source: Company, CRISIL Research

Fig 34: … driving PAT at a CAGR of 23.4% over FY17-19



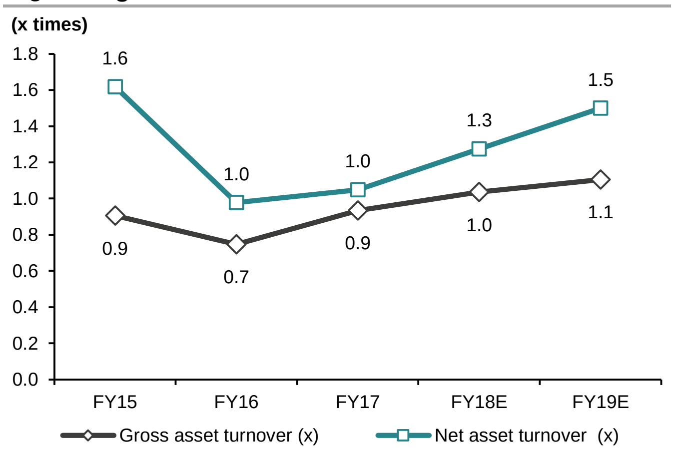
Source: Company, CRISIL Research

Return ratios to improve with higher utilisation

Ramp-up in utilisation is expected to increase net asset turnover to 1.5x in FY19 from 1.0x in FY17. Consequently, RoE and RoCE are expected to expand to 15.6% and 14.5% in FY19 from 12.8% and 9.4% in FY17, respectively.

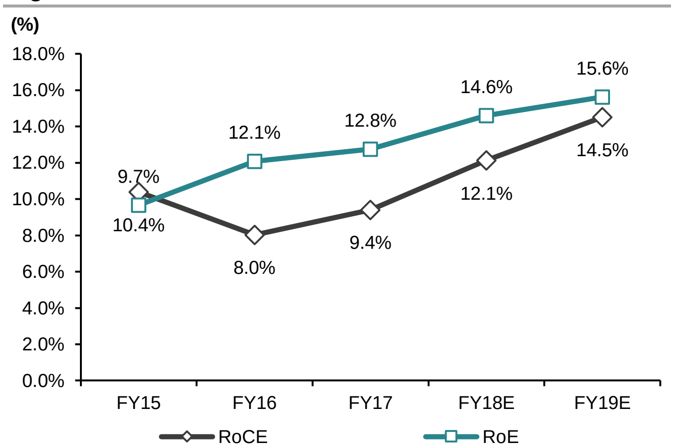
RoE expected to improve to 15.6% by FY19 from 12.8% in FY17

Fig 35: Higher utilisation…



Source: Company, CRISIL Research

Fig 36: …to drive return ratios



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.

Experienced top management…

Mr Rajinder Gupta, promoter and non-executive chairman of Trident, is a first generation entrepreneur. He has more than 20 years of experience in the industry and was awarded the Padmashree for his services in trade and industry. He was key in Trident's transformation from a cotton yarn manufacturer to an integrated home textiles player. He is supported by Mr Abhishek Gupta, CEO, and a team of professionals.

… Supported by a strong second line

The second line, comprising experienced industry professionals with domain expertise, manage different business segments proficiently. Based on our interaction, we believe the second line ably supports the top management.

Successful execution of strategies

Over the years, management has successfully demonstrated the capability to execute growth strategies. Under the guidance of the top leadership, with integrated processes, transition to integrated home textile operations has been smooth. The company has also expanded its overseas reach, which has enabled it to ramp up utilisation.

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, the corporate governance practices at Trident meet the requisite standards, and are supported by reasonably good board processes and practices.

Board composition and processes meet requisite norms

Trident's board comprises five members, of whom three are independent and the chairman of the board is a non-executive director, which is in accordance with Sebi guidelines. The attendance of directors at the board meetings is high, and the post of the chairman and managing director have been segregated. With effect from May 2017, the board is chaired by Ms Pallavi Shroff, a non-executive independent director who also chairs the audit committee. The company has all the necessary committees – audit, remuneration, and investor grievance – in place.

Superior disclosure levels

We believe the company has superior disclosure levels on the basis of the information furnished in the company's annual reports, website, quarterly presentations, etc. Apart from this, the company organises earnings calls and discloses various segment-wise and operating-level details on a quarterly basis.

Other highlights

- **Started paying dividend:** Over the past three years, the company has started paying dividends – over FY15-17, it maintained a payout ratio of 20% or more. We view this as a positive.
- **Limited related party transaction:** As per the annual report of FY17, the related party transactions are insignificant compared with the net worth of the company.
- **Auditors:** M/s S.R. Batliboi & Co. LLP – one of the reputed audit firms, shall be appointed as the company's auditor, subject to shareholders' approval, for five years owing to mandatory retirement of M/s Deloitte Haskins & Sells as per Companies Act 2013. The company has also appointed KPMG as an internal auditor.

Valuation Grade: 5/5

We have broadly maintained our earnings estimates. However, we have lowered the cost of equity to 15.5% as a result of upward revision in the fundamental grade. Consequently, we have increased our fair value to ₹128 from ₹93 per share. The fair value implies P/E multiples of 15.4x and 12.9x on FY18E and FY19E EPS, respectively. At the current price of ₹97, our valuation grade is **5/5.**

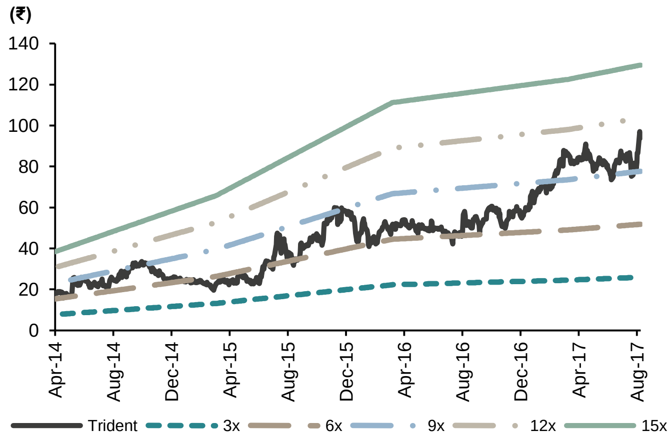
Key DCF assumptions

- We have taken FY18 as the base year and discounted the estimated free cash flows from FY19 to FY27.
- We have assumed a terminal growth rate of 3% beyond the explicit forecast period.

WACC computation

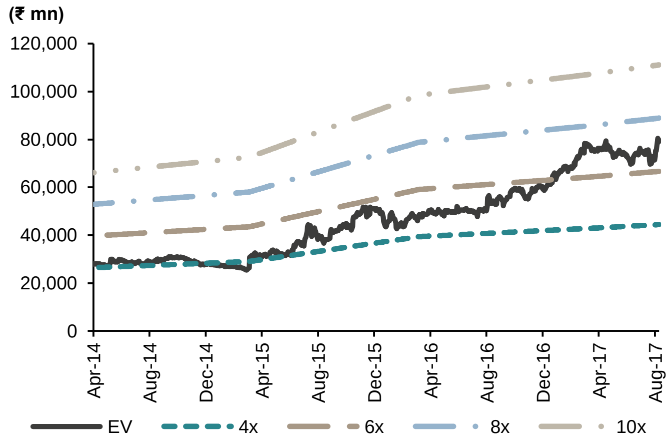
	FY18-27E	Terminal year
Cost of equity	15.5%	15.5%
Cost of debt (post-tax)	2.9%	2.9 %
Debt equity used for WACC	40%	30%
WACC	10.5%	11.7%
Terminal growth rate		3.0%

One-year forward P/E band



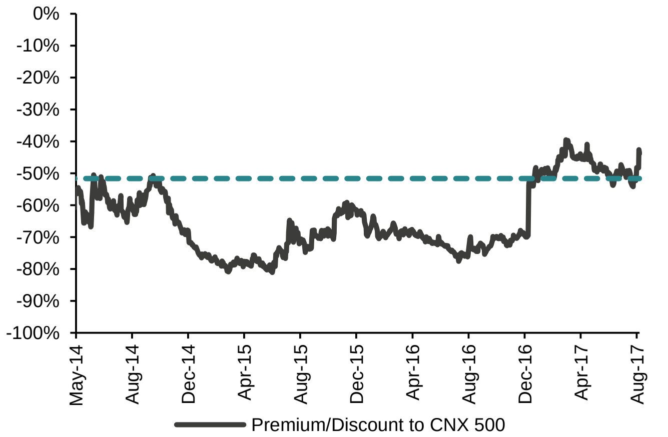
Source: NSE, CRISIL Research

One-year forward EV/EBITDA band



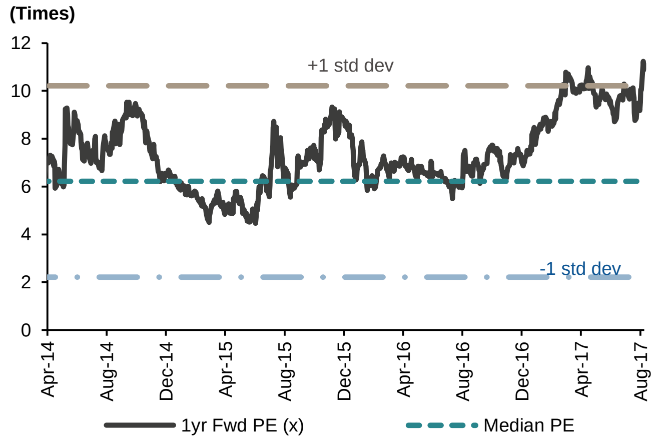
Source: NSE, CRISIL Research

P/E – premium / discount to Nifty 500



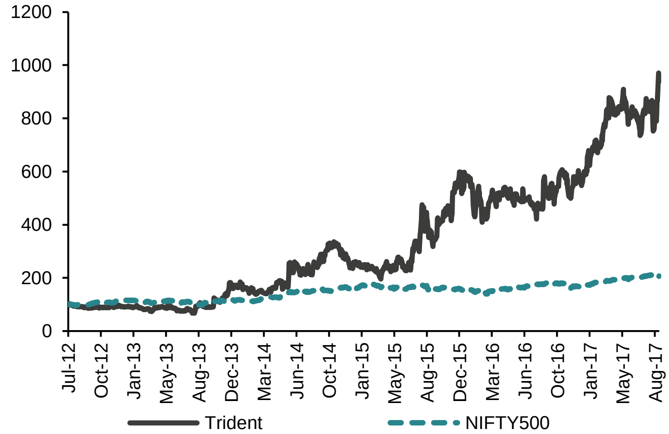
Source: NSE, CRISIL Research

Forward P/E chart



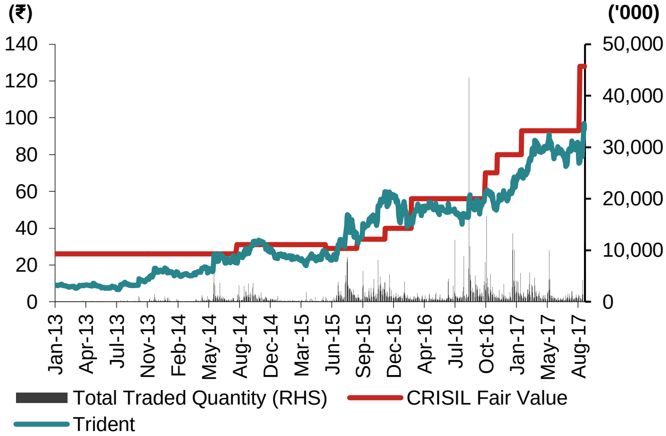
Source: NSE, CRISIL Research

Stock performance vs Nifty 500



Source: NSE, BSE, CRISIL Research

Fair value movement since initiation



Source: NSE, BSE, 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
02-June-14	Q4FY14 result update	3/5	₹26	5/5	₹17
21-Aug-14	Q1FY15 result update	3/5	₹31	5/5	₹24
20-Nov-14	Q2FY15 result update	3/5	₹31	3/5	₹29
10-Mar-15	Q3FY15 result update	3/5	₹31	5/5	₹23
12-June-15	Q4FY15 result update	3/5	₹29	5/5	₹23
10-Sep-15	Detailed report	3/5	₹34	3/5	₹36
08-Dec-15	Q2FY16 result update	3/5	₹40	1/5	₹56
25-Feb-16	Q3FY16 result update	3/5	₹56	5/5	₹43
22-Jun-16	Q4FY16 result update	3/5	₹56	3/5	₹53
18-Oct-16	Detailed report	3/5	₹70	4/5	₹60
25-Nov-16	Q2FY17 result update	3/5	₹80	5/5	₹54
14-Feb-17	Q3FY17 result update	3/5	₹93	5/5	₹71
31-May-17	Q4FY17 result update	3/5	₹93	4/5	₹81
05-Sep-17	Detailed report	4/5	₹128	5/5	₹97

Company Overview

Trident Limited, the flagship company of the Trident Group, is a leading manufacturer of yarn, terry towel, bed linen and wheat straw-based paper. It started as a cotton yarn manufacturer in 1990 under the name of Abhishek Industries and later diversified into home textiles. Currently, the company has manufacturing facilities in Barnala (Punjab) and Budhni (Madhya Pradesh). Its founder-promoter Rajinder Gupta is a first-generation entrepreneur with wide-ranging exposure of promoting industrial ventures.

The company's first yarn plant in Sanghera, Punjab, which produces both cotton and blended yarn, was financed by a 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 paper. The company has significantly invested in modernising assets and in forward/backward integration. In FY11, Trident undertook expansion of cotton yarn manufacturing in Barnala and Budhni, mostly through debt funding and the rest through equity/internal accruals. In FY16, with a view to expand business, Trident forayed into bed linen by commissioning a bed linen facility in Budhni.

The company has a strong client base in almost 100 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. Apart from this, in FY17, the company expanded its home textile presence to around 450 retail outlets across India.

Capacity as of FY17

Segment	Capacity
Yarn	5.5 lakh spindles
	6,464 rotors
	115,200 TPA
Dyed yarn	6,825 TPA
Terry towel	688 looms
	90,000 MTPA
Bed linen	500 looms
	43.2 mn meters p.a.
Paper	1,75,000 TPA
Chemicals	1,00,000 TPA
Captive power	50 MW

Source: Company, CRISIL Research

Milestones

1999	Abhishek Spinfab Corporation Ltd, having large facilities of terry towel products, amalgamated with Trident
2002	Varinder Agro Chemicals Ltd, having capacities of 34,250 MT of paper and 1,00,000 MT 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 commissioned terry towel expansion project
2011	Name changed to Trident Ltd
2012	Trident Infotech Ltd and Trident Agritech Ltd amalgamated with Trident Ltd
2013	Acquired Trident Global Corp Ltd
2015	Trident Corporation Ltd merged with Trident Ltd
2015	Set up a subsidiary in the UK - Trident Europe Ltd - to strengthen marketing channels in Europe
2016	Forayed into the bed linen segment by commissioning a bed linen facility along with yarn spinning in Budhni

Annexure: Financials

Income statement

(₹ mn)	FY15	FY16	FY17	FY18E	FY19E
Operating income	**37,626**	**36,755**	**46,983**	**53,277**	**58,656**
EBITDA	**6,762**	**7,395**	**9,565**	**10,972**	**12,307**
EBITDA margin	**18.0%**	**20.1%**	**20.4%**	**20.6%**	**21.0%**
Depreciation	3,178	3,366	4,125	4,222	4,354
EBIT	**3,584**	**4,029**	**5,440**	**6,749**	**7,954**
Interest	2,060	1,452	1,411	1,117	896
Operating PBT	**1,524**	**2,577**	**4,030**	**5,632**	**7,058**
Other income	129	166	297	180	150
Exceptional inc/(exp)	26	70	60	-	-
PBT	**1,680**	**2,812**	**4,387**	**5,812**	**7,208**
Tax provision	501	392	1,014	1,569	2,162
Share of associate profit	-	-	-	-	-
PAT (Reported)	**1,179**	**2,421**	**3,372**	**4,243**	**5,046**
Less: Exceptionals	26	70	60	-	-
Adjusted PAT	**1,153**	**2,351**	**3,312**	**4,243**	**5,046**

Ratios

	FY15	FY16	FY17	FY18E	FY19E
Growth					
Operating income (%)	(3.0)	(2.3)	27.8	13.4	10.1
EBITDA (%)	(8.7)	9.4	29.3	14.7	12.2
Adj PAT (%)	NM	103.9	40.9	28.1	18.9
Adj EPS (%)	NM	103.6	40.8	28.1	18.9
Profitability					
EBITDA margin (%)	18.0	20.1	20.4	20.6	21.0
Adj PAT Margin (%)	3.1	6.4	7.0	8.0	8.6
RoE (%)	9.7	12.1	12.8	14.6	15.6
RoCE (%)	10.4	8.0	9.4	12.1	14.5
RoIC (%)	10.1	8.1	9.0	10.3	11.5
Valuations					
Price-earnings (x)	42.8	21.0	14.9	11.7	9.8
Price-book (x)	3.4	2.0	1.8	1.6	1.5
EV/EBITDA (x)	11.2	11.4	8.1	6.7	5.6
EV/Sales (x)	2.2	2.5	1.8	1.4	1.2
Dividend payout ratio (%)	24.4	12.6	22.5	24.9	24.9
Dividend yield (%)	0.6	0.6	1.5	2.1	2.5
B/S ratios					
Inventory days	78	97	65	75	78
Creditors days	39	52	38	40	40
Debtor days	23	29	33	28	27
Working capital days	100	123	88	92	96
Gross asset turnover (x)	0.9	0.7	0.9	1.0	1.1
Net asset turnover (x)	1.6	1.0	1.0	1.3	1.5
Sales/operating assets (x)	1.1	0.7	1.0	1.2	1.5
Current ratio (x)	2.9	2.9	2.2	2.5	2.6
Debt-equity (x)	1.8	1.4	1.0	0.8	0.6
Debt/EBITDA (x)	3.9	4.7	3.0	2.2	1.6
Net debt/EBITDA (x)	3.9	4.7	2.9	2.2	1.6
Interest coverage	1.7	2.8	3.9	6.0	8.9

Per share

	FY15	FY16	FY17	FY18E	FY19E
Adj EPS (₹)	2.3	4.6	6.5	8.3	9.9
CEPS	8.5	11.2	14.6	16.6	18.4
Book value	28.6	47.8	54.1	59.9	66.9
Dividend (₹)	0.6	0.6	1.5	2.1	2.5
Actual o/s shares (mn)	508.6	509.4	509.6	509.6	509.6

Balance Sheet

(₹ mn)	FY15	FY16	FY17	FY18E	FY19E
Liabilities					
Equity share capital	5,086	5,094	5,096	5,096	5,096
Reserves	9,467	19,267	22,473	25,443	28,975
Minorities	-	-	-	-	-
Net worth	**14,554**	**24,361**	**27,568**	**30,539**	**34,071**
Convertible debt	-	-	-		
Other debt	26,249	35,217	28,518	24,668	20,268
Total debt	**26,249**	**35,217**	**28,518**	**24,668**	**20,268**
Deferred tax liability (net)	1,242	1,582	1,655	1,655	1,655
Total liabilities	**42,044**	**61,159**	**57,743**	**56,863**	**55,995**
Assets					
Net fixed assets	28,609	46,536	43,081	40,508	37,704
Capital WIP	2,582	737	1,133	983	933
Total fixed assets	**31,191**	**47,272**	**44,214**	**41,491**	**38,637**
Investments	802	1,600	1,564	1,564	1,564
Current assets					
Inventory	7,508	9,065	7,747	10,510	12,053
Sundry debtors	2,256	2,781	4,019	3,961	4,178
Loans and advances	5,137	5,951	8,617	7,246	8,271
Cash & bank balance	124	131	768	233	265
Marketable securities	1	1	49	49	49
Total current assets	**15,026**	**17,929**	**21,199**	**21,999**	**24,815**
Total current liabilities	**5,230**	**6,080**	**9,736**	**8,693**	**9,524**
Net current assets	**9,796**	**11,849**	**11,463**	**13,306**	**15,291**
Intangibles/Misc. expenditure	**256**	**439**	**501**	**501**	**501**
Total assets	**42,045**	**61,159**	**57,743**	**56,863**	**55,995**

Cash flow

(₹ mn)	FY15	FY16	FY17	FY18E	FY19E
Pre-tax profit	1,654	2,742	4,326	5,812	7,208
Total tax paid	(341)	(52)	(941)	(1,569)	(2,162)
Depreciation	3,178	3,366	4,125	4,222	4,354
Working capital changes	(1,179)	(2,045)	1,070	(2,377)	(1,954)
Net cash from operations	**3,312**	**4,011**	**8,580**	**6,088**	**7,446**
Cash from investments					
Capital expenditure	(15,536)	(19,630)	(1,129)	(1,500)	(1,500)
Investments and others	819	(798)	(12)	-	-
Net cash from investments	**(14,718)**	**(20,428)**	**(1,141)**	**(1,500)**	**(1,500)**
Cash from financing					
Equity raised/(repaid)	4,518	12	3	0	-
Debt raised/(repaid)	7,292	8,968	(6,699)	(3,850)	(4,400)
Dividend (incl. tax)	(341)	(368)	(915)	(1,273)	(1,514)
Others (incl extraordinaries)	(55)	7,813	807	0	-
Net cash from financing	**11,415**	**16,425**	**(6,803)**	**(5,123)**	**(5,914)**
Change in cash position	8	8	636	(534)	32
Closing cash	124	131	768	233	265

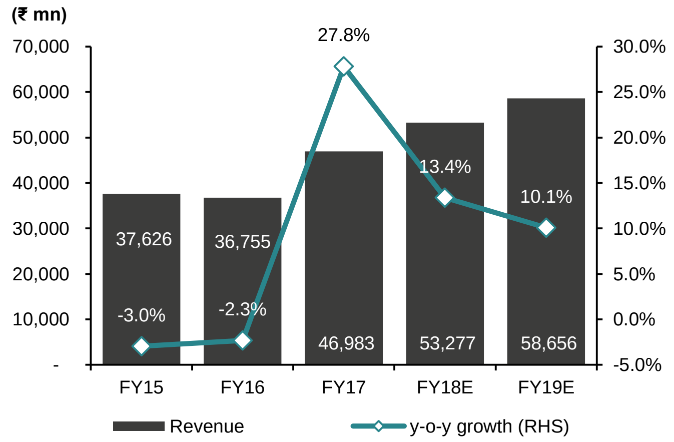
Quarterly financials

(₹ mn)	Q1FY17	Q2FY17	Q3FY17	Q4FY17	Q1FY18
Net Sales	**11,482**	**11,696**	**11,223**	**12,683**	**11,684**
Change (q-o-q)	20%	2%	-4%	13%	-8%
EBITDA	**2,360**	**2,349**	**2,252**	**2,131**	**2,297**
Change (q-o-q)	19%	0%	-4%	-5%	8%
EBITDA margin	**20.6%**	**20.1%**	**20.1%**	**16.8%**	**19.7%**
PAT	785	801	786	997	889
Adj PAT	**785**	**801**	**786**	**997**	**889**
Change (q-o-q)	29%	2%	-2%	27%	11%
Adj PAT margin	**7%**	**7%**	**7%**	**8%**	**8%**
Adj EPS	**1.5**	**1.6**	**1.5**	**2.0**	**1.7**

Source: CRISIL Research

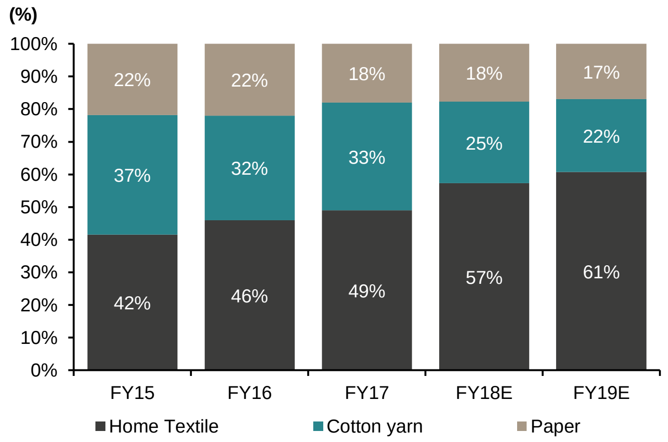
Focus Charts

Moderate revenue growth owing to captive consumption



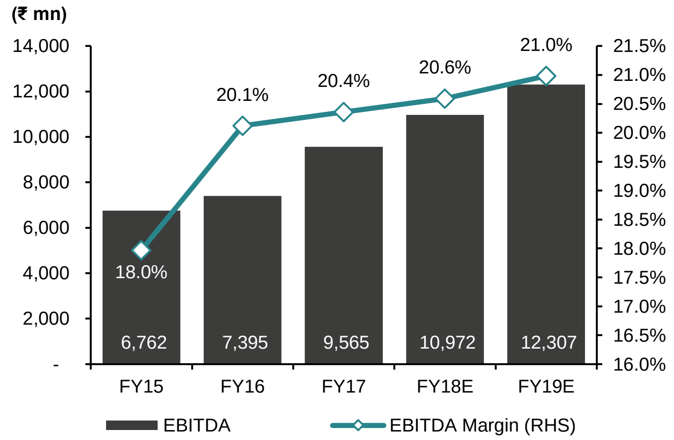
Source: Company, CRISIL Research

Home textile share to increase



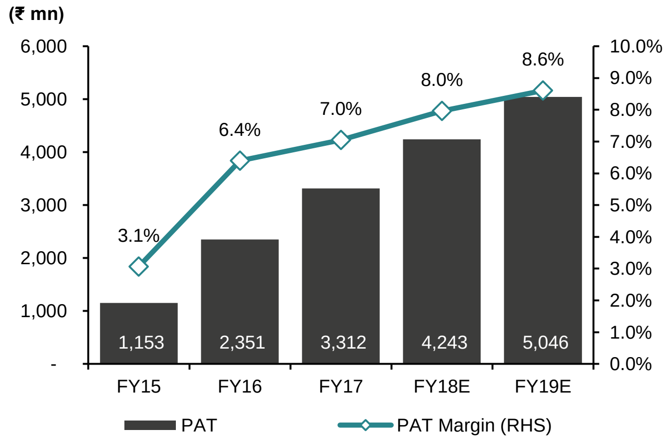
Source: Company, CRISIL Research

EBITDA margin to expand ~62 bps over FY17-19



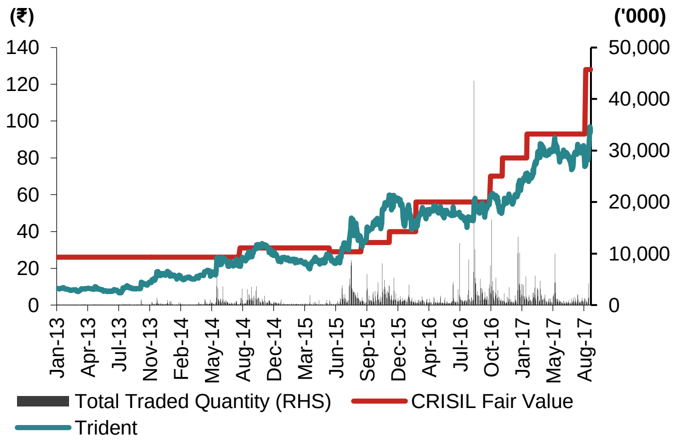
Source: Company, CRISIL Research

PAT expected to post strong growth



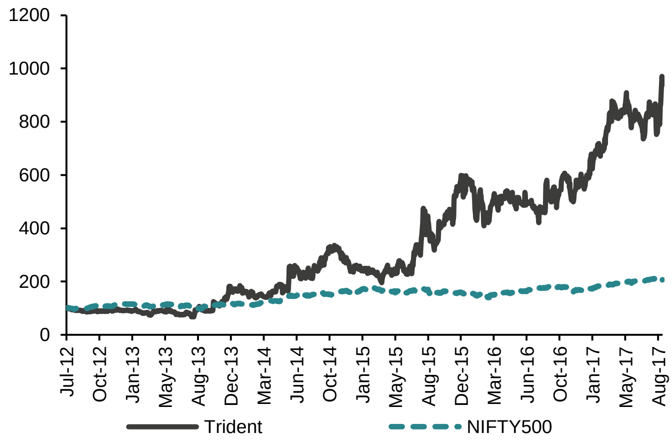
Source: Company, CRISIL Research

Fair value movement since initiation



Source: NSE, BSE, CRISIL Research

Share price movement versus Nifty 500



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Source: NSE, BSE, CRISIL Research

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Analyst Disclosure

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