



CMP	59	Rating	BUY	Result (Rs.bn)	Q4FY18	Q3FY18	Q4FY17	Y/Y(%)	Q/Q(%)
Target	82	Upside	37%	Revenue	11.9	11.4	12.6	-6.1%	4.2%
				EBITDA	2.2	2.0	2.1	3.1%	8.4%
				EBITDA(%)	18.3%	17.6%	16.7%	+162bps	70bps
				PAT	0.5	0.7	1.0	-48.9%	-30.3%
				PAT(%)	4.3%	6.4%	7.9%	-361bps	-213bps
				EPS	1.0	1.4	1.9	-48.9%	-30.3%

Headwinds impact revenues: Trident reported a revenue decline of 6.1% YoY to Rs 11.9bn, this was due to decline in both Textile and paper segment. Textile segment (~81% of sales) reported a revenue decline of 7.9% YoY, while the paper segment (~19% of sales) posted a de-growth of 2.9% YoY.

OPM expands on back of Paper segment: OPM for the qtr expanded by 162bps YoY to 18.3%, margin expansion was on back of strong operating performance in the paper segment, which posted a growth of 460bps YoY to 37%. Overall margin growth was arrested by 446bps YoY decline in textile segment (14.7%). EBITDA for the qtr stood at Rs 2.17bn up 3.1% YoY.

Lower Other Income & higher tax dent PAT: PAT for the qtr declined by 48.9% YoY to Rs 0.51bn. Decline was on back of lower other income (-1.06x YoY) and in tax rate (42.2%vis-a-vis 22.7% YoY).

STOCK DETAILS	
BSE Code	521064
NSE Code	TRIDENT
Market Cap (Rs.bn)	29.4
Sector/ Index	Textiles
Year End	March
52 w.High/Low	110/58
Avg monthly Turnover (Rs.Mn)	138.5
Shares in Issue (mn)	497.8
BSE Sensex	35149
NSE Nifty	10683

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

CONSOLIDATED FINANCIALS				
Rs in bn	FY17	FY18	FY19E	FY20E
Total Revenue	46.3	45.6	49.2	53.4
EBIDTA	8.9	8.2	9.3	10.3
EBIDTA(%)	19.1%	18.0%	19.0%	19.3%
PAT	3.4	2.6	3.7	4.5
PAT(%)	7.3%	5.8%	7.6%	8.5%
EPS (Rs.)	6.8	5.3	7.5	9.1
P/E (x)	8.8	11.3	8.0	6.6

Source: Company, Bloomberg Consensus

Key Takeaways:

Destocking impacts volume growth: Due to multiple headwinds the Home Textile Industry was impacted during FY18. Bath Linen volumes declined 12.3% YoY while Bed Linen registered volume growth of 56.2% YoY in FY18. Management has guided that destocking has been showing signs of easing. The Domestic Home Textile Business grew by more than 25% YoY. The Exports vs domestic revenue mix (for Bath and Bed linen) stood at 87:13 for FY18.

Capacity utilization: The capacity utilization for Terry Towel was 45% for FY18 while that of Bed Linen stood at 44% for the same period. Paper segment capacity utilization was 89% for FY18.

Debt reduction: The company has reduced their debt by 3.6 bn thereby bringing down Interest cost by 16% YoY. They will focus on improving cash flow and prudent capital allocation.

Outlook: Going ahead, the management believes the worst is over and expects recovery in volumes from H1FY19. Bath linen realizations are expected to be stable while Bed linen could see improvement in realization.

Valuation and View:

FY18 has been a challenging year for company and the entire textile industry, with it facing multiple headwinds including de stocking by major US retailers. However the company's performance has been better off as compared to its peers. We believe this could be attributed to the paper segment which has reported margin of 42% for FY18. We believe the worst could be over for the sector and the company could expect some kind of recovery by H1FY19 on back of re-stocking by US major clients. Further we expect the company to gain good traction in Bed Linen space, which is also likely to help boost margins.

Given the current scenario, we have downgraded our revenue estimates by 3.5% in FY19E and 5.0% in FY20E and EBITDA by 11.0% for FY19 and -13.7% for FY20 thereby resulting in a downgrade of earnings estimates by 22.0% and 24.7% for FY19E and FY20E respectively.

We now expect the company to post revenue CAGR of 8.3% over FY18-20, while margins are likely to improve by 131bps over the same period to 19.3%. EBITDA and PAT is expected to post a growth of 12.1% and 31.4% respectively over FY18-20E.

At CMP of Rs 59 the stock is trading at 8.0x on FY19E earnings of Rs 7.5 and 6.6x on FY20E earnings of Rs 9.1. Given the current scenario, we assign a PE multiple of 9x on FY20E earnings of Rs 9.1, post which we arrive at a target of Rs 82, an upside of 37% from current levels. We assign a BUY rating on the stock.

SUMMARY INCOME STATEMENT							
(in mn)	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Total Income	38,690	37,553	36,657	46,252	45,575	49,201	53,408
Cost Of Revenues (incl Stock Adj)	20,521	19,309	17,286	22,307	22,829	25,584	25,636
Gross Profit	18,169	18,245	19,370	23,945	22,746	23,616	27,772
Employee Cost	2,870	3,872	4,295	5,794	5,243	5,658	6,142
Other Operating Expenses	8,023	7,766	7,778	9,296	9,310	8,622	11,329
EBITDA	7,276	6,608	7,297	8,855	8,192	9,337	10,301
Other Income	163	345	334	1,062	942	1,082	1,175
Net Interest Exp.	2,103	2,060	1,452	1,410	1,182	996	855
Depreciation	2,684	3,213	3,366	4,125	4,041	4,250	4,308
Exceptional Items	0	0	0	0	0	0	0
PBT	2,652	1,680	2,813	4,382	3,911	5,173	6,313
Tax	681	501	392	1,016	1,277	1,448	1,768
Profit After Tax	1,971	1,179	2,421	3,366	2,634	3,724	4,545
Net Profit	1,971	1,179	2,421	3,366	2,634	3,724	4,545
EPS	3.8	2.3	4.8	6.8	5.3	7.5	9.1

SUMMARY BALANCE SHEET							
(in mn)	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
Assets							
Net Block	17,955.9	28,639.0	46,930.4	43,448.0	40,700.0	37,449.7	34,141.4
Capital WIP	276.9	1,993.0	571.3	1,097.6	1,760.8	0.0	0.0
Intangible Assets under development	85.9	225.9	43.9	134.0	5.0	4.0	3.0
Non-current Investment	886.8	112.0	721.6	1,004.9	1,042.5	4,954.7	8,865.9
Long term loans and advances	1,514.4	1,727.9	1,291.6	1,084.8	1,495.5	1,470.5	1,445.5
Current Assets							
Current Investment	300.5	196.5	1.1	48.9	0.0	3,000.0	2,800.0
Inventories	6,428.5	7,507.8	9,065.5	7,747.2	9,226.2	6,739.8	7,169.8
Trade receivables	2,641.4	2,033.3	2,512.7	3,750.9	4,604.2	3,639.5	3,804.4
Cash and cash equivalents	245.2	170.1	819.4	1,326.3	1,665.5	1,823.4	1,746.2
Short-term loans and advances	1,487.8	2,442.5	306.2	-	-	404.4	292.6
Other Current Assets	22.0	22.0	3,029.2	2,197.4	2,812.1	2,830.7	2,926.4
Total Current Assets	10,824.9	12,175.7	15,733.0	15,021.8	18,307.9	15,437.8	15,939.5
Current Liabilities & Provisions							
Short-term borrowings	8,038.8	8,156.0	9,732.8	8,038.5	11,084.4	11,084.4	12,084.4
Trade payables	2,209.8	2,190.6	2,237.1	1,730.3	1,692.8	2,291.5	2,194.8
Other current liabilities	3,308.5	4,517.1	4,344.5	4,391.4	4,060.8	3,639.5	3,804.4
Short-term provisions	193.2	44.6	63.2	206.6	138.9	134.8	292.6
Total Current Liabilities	5,711.5	6,752.3	6,644.8	6,328.4	5,892.5	6,065.8	6,291.8
Net Current Assets	5,113.4	5,423.4	9,088.1	8,693.4	12,415.4	9,372.0	9,647.6
Total Assets	26,133.8	38,317.7	58,648.0	55,511.7	57,419.2	56,250.9	56,903.4
Liabilities							
Share Capital	3,110.9	5,086.4	5,093.7	4,978.8	4,978.3	4,978.3	4,978.3
Reserves and Surplus	5,767.9	9,467.1	19,267.3	22,589.6	24,436.0	27,358.7	31,102.2
Total Shareholders Funds	8,878.8	14,553.5	24,361.0	27,568.4	29,414.3	32,337.0	36,080.5
Money Received against warrants	430.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Debt	15,697.4	22,117.0	31,097.9	25,480.9	25,192.2	21,192.2	18,192.2
Long Term Provisions	45.3	405.1	84.6	0.0	0.0	0.0	0.0
Other Long Term Liabilities	0.0	0.0	1,522.9	807.3	687.0	671.0	655.0
Net Deferred Tax Liability	1,082.3	1,242.1	1,581.7	1,655.1	2,125.7	2,050.7	1,975.7
Total Liabilities	26,133.8	38,317.7	58,648.0	55,511.7	57,419.2	56,250.9	56,903.4

SUMMARY CASH FLOW STATEMENT							
(in mn)	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
PBT	2,652	1,680	2,766	4,382	3,911	5,173	6,313
Depreciation & Amort., Total	2,684	3,213	3,376	4,125	4,041	4,250	4,308
After other adjustments	2,282	1,871	1,170	1,089	1,182	996	855
(Inc) / Dec in Working Capital	435	(977)	(1,424)	1,428	(3,794)	3,226	(328)
Taxes	(584)	(347)	(600)	(860)	(1,277)	(1,448)	(1,768)
Others							
Cash from Ops.	7,468	5,441	5,288	10,163	4,064	12,197	9,381
Capital Expenditure & investments	(1,735)	(1,429)	(12,001)	(1,777)	(1,953)	(6,150)	(4,710)
Cash from Investing	(1,735)	(1,429)	(12,001)	(1,777)	(1,953)	(6,150)	(4,710)
Issue of Share capital	3	187	611	3	(0)	-	-
Net Borrowings	(4,062)	(1,966)	7,809	(5,909)	(289)	(4,000)	(3,000)
Others	(1,676)	(2,056)	(1,367)	(1,357)	(727)	(996)	(855)
Issuance of Dividend	(5)	(486)	(360)	(895)	(893)	(893)	(893)
Cash from Financing	(5,740)	(4,321)	6,694	(8,157)	(1,909)	(5,889)	(4,748)
Extraordinary receipts/payment	-	-	-	-	-	-	-
Net Change in Cash	(7)	(309)	(20)	229	202	158	(77)
BF Cash	91	89	69	49	278	480	638
Cash from Merger	-	290			-	-	-
END Cash	84	69	49	278	480	638	561

SUMMARY RATIOS							
	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
<u>Profitability</u>							
Return on Assets	6.1%	2.6%	3.7%	5.5%	4.2%	6.0%	7.2%
Return on Capital	19.0%	10.2%	7.7%	10.9%	9.3%	11.5%	13.2%
Return on Equity	20.8%	8.1%	9.9%	12.2%	9.0%	11.5%	12.6%
<u>Margin Analysis</u>							
Gross Margin	47.0%	48.6%	52.8%	51.8%	49.9%	48.0%	52.0%
EBITDA Margin	18.8%	17.6%	19.9%	19.1%	18.0%	19.0%	19.3%
Net Income Margin	5.1%	3.1%	6.6%	7.3%	5.8%	7.6%	8.5%
<u>Short-Term Liquidity</u>							
Current Ratio	0.8x	0.8x	1.0x	1.0x	1.1x	1.1x	1.0x
Quick Ratio	0.3x	0.3x	0.4x	0.5x	0.5x	0.7x	0.6x
Avg. Days Sales Outstanding	25	20	25	30	28	27	26
Avg. Days Inventory Outstanding	61	73	90	61	55	50	49
Avg. Days Payables	21	21	22	14	17	17	15
<u>Long-Term Solvency</u>							
Total Debt / Equity	1.7x	1.5x	1.3x	0.9x	0.9x	0.7x	0.5x
EBITDA / Interest Expense	2.3x	1.8x	2.9x	4.1x	4.3x	6.2x	8.4x
<u>Valuation Ratios</u>							
EV/EBITDA	4.7x	7.9x	8.3x	6.2x	6.5x	5.3x	4.5x
PER	15.7x	25.8x	12.6x	8.8x	11.3x	8.0x	6.6x
P/B	2.0x	2.1x	1.2x	1.1x	1.0x	0.9x	0.8x

INDSEC Rating Distribution

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

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

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