



COMPANY NAME	: TRIDENT LTD.
BSE Code	: 521064
Time Duration	: 1 year
CMP	: ₹66.45 (as on 18 Apr., 2019)
Target Price	: ₹90

This month our Mid Bridge recommendation is Trident. It is Punjab-based company primarily engaged in manufacturing of terry towel, yarn and wheat straw-based paper manufacturer.

Trident has its business segments diversified into textiles, paper and chemicals. The company's manufacturing plants are located in Barnala of Punjab and Budni in Madhya Pradesh. As of second quarter of FY19, it had combined installed capacity of 542,448 spindles (115200 tonnes per annum), 6,464 rotors, 672 looms for terry towels (90,000 MTA), 500 looms for bed sheets (42.69 million metres per annum, 175,000 TPA of paper and 100,000 TPA of sulphuric acid with captive power plant of 49.4 MW.

### Investment Rational

**Strong industrial environment** : In FY17 and FY18, the home textile industry saw some challenges. These were mainly due to unstable macroeconomic scenario, geopolitical tensions and surprise events such as demonetisation and later implementation of GST in the domestic market. Despite this, Trident enjoys competitive edge in the industry. Factors such as high entry barriers, capital requirements, skilled labour and sustainability are some of the key parameters.

**Growth across product Mix**: Trident has around 80 per cent revenue share of textile business and 20 per cent from paper and chemicals. In H2FY18 and FY19, it saw strong sales growth on both the segments. In home textile business, the company reported 12.2 per cent YoY growth in 9MFY19, while the paper business showed growth of 13.2 per cent YoY for the same duration. India continues to be a leader in supply of cotton sheets and terry towels to the US since 2015. India stands at the top as a supplier of cotton sheets and terry towels to the US. India has 50 per cent and 39 per cent market share of these products in the US. For the paper industry, the demand reached up to 17 million tonnes in 2018 from 12.8 million tonnes in 2013, a growth of 7.35 per cent CAGR. CARE report suggested that this demand is likely to reach 18.5 MT in 2019 and 2020. The high realisations in the paper industry was the main reason for high profitability in the recent past. The increased paper imports and stable global pulp prices will continue to keep paper prices stable, which will help the company maintain high profits.

**Stable Operating Performance** : Despite continued pressure in the industry, Trident's performance was stable. The company reported almost 10 per cent growth in income from operations in 9MFY19. This was led by bed and bath linen. The focused and planned branding efforts and the change in distribution and sales mix supported Trident's operational performance. Further, the company is focusing on higher capacity utilisation and increasing capacity through planned capex in the short term. The company's bath linen and yarn production stood at 4,421 metric tonnes and 10,108 metric tonnes, respectively, while bed linen production stood at 2.30 million metres during March. Trident has reported paper production of 13,541 metric tonnes in March 2019. Further, chemicals production stood at 8,367 metric tonnes. The total production numbers reported by the company for the fourth quarter of FY19 for bath linen and yarn stood at 10,974 MT and 28,483 MT, respectively. This was higher by 2 per cent from its third quarter number. This hints towards higher capacity utilisation, despite the company not notifying any new capacity addition during the quarter. However, the production of bed linen saw a decline from 3.14 million metres in January 2019 to 2.30 million metres in March 2019. The overall trend shows higher utilisation rate that will help the company reduce working capital requirement.

**Continuous debt reduction** : Trident reported total debt of Rs. 3103.79 crore as of end of FY16. During FY18, the company repaid debt of Rs 544 crore. As of December 2018, it further reduced debt by Rs 424 crore and the net debt stood at Rs 2197 crore. The debt-to-equity ratio improved significantly from 1.43x to 0.7x as of end of third quarter of FY19.

### Financial Performance

The company has reported sales growth of 7 per cent CAGR over the last three years, while 31 per cent CAGR growth in profit during this period. Profit and margins took hit mostly due to higher debt and leverage. Despite the negative sentiment and constraints, the company reported satisfactory numbers on the financial front. Higher leverage also kept pressure on ROE. Now, with continued reduction in debt and improving industry trend, we expect the company to show robust performance.

For Q3FY19, the company reported 18 per cent YoY growth in net

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sales, while for Q2FY19 net sales grew by 24 per cent, showing improved trend in demand. On the margin front too, it reported improved numbers with EBITDA margin expanding to 18.8 per cent in Q3FY19 as compared to 18 per cent during same period last fiscal. The PAT margin stood at 7.3 per cent as against 4.9 per cent.

The ROE as of FY18 was 9.36 per cent. The higher leverage and industry level negative trend impacted the net returns in the last three years. But with continued reduction in debt and improved sentiment, coupled with robust demand scenario, we feel that returns will reach to 15 per cent by FY21.

### Valuation and outlook

The company reported FY18 EPS of Rs 5.18. Low debt, strong operating performance boosted TTM EPS to Rs. 6.50. The stock is currently trading at TTM PE multiple of 10.37x. Based on factors such as higher demand, higher utilisation, rising price realisations, stable operating performance and low leverage, we believe that the EPS may grow by 30 per cent to 40 per cent YoY to reach Rs 7. Hence, forward PE comes to 9.5x. We urge out investors to BUY the scrip at the current levels and also if it dips any further, with a price target of Rs 90.

### Inc/Exp Statement(Standalone) (Rs in Crore)

Description	201803	201703	201603	201503	201403
Net Sales	4564.08	4617.38	3665.25	3753.55	3868.86
Total Income	4660.27	4723.51	3729.89	3788.02	3885.14
Total Expenditure	3746.23	3731.59	2935.12	3092.93	3141.25
PBIDT	914.04	991.92	794.77	695.09	743.89
PAT	263.74	336.98	242.33	117.82	197.03
Dividend %	15.00	15.00	9.00	6.00	3.00
Adj. EPS(Rs)	5.18	6.61	4.76	2.32	6.33

### Quarter On Quarter (Standalone) (Rs in Crore)

Particulars	201812	201809	Q on Q Var%	201712	Y on Y Var%
Net Sales	1291.40	1391.50	-7.19	1094.11	18.03
Total Expenditure	1048.74	1130.42	-7.23	894.08	17.30
PBIDT (Excl OI)	242.66	261.08	-7.06	200.03	21.31
PAT	112.13	109.14	2.73	73.02	53.56
PBIDTM% (Excl OI)	18.79	18.76	0.16	18.28	2.79
PBIDTM%	21.96	19.47	12.79	21.17	3.73
PATM%	8.68	7.84	10.71	6.67	30.13
Adj. EPS(Rs)	2.20	2.14	2.80	1.43	53.85

### Stock vs. Index



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