

TRIDENT LTD
COMPANY MEET NOTE

Industry **Textiles**
Bloomberg **TRID:IN**
BSE Code **521064**
NSE Code **TRIDENT**

Monday, September 17, 2018

RATING	Under Review
CMP	65
Price Target	NA
Previous Target	NA
Potential Upside	NA

Stock Info

52wk Range H/L	109.5/51.15
Mkt Capital (Rs Cr)	3,287
Free float (%)	32%
Avg. Vol 1M (,000)	1695
No. of Shares	51
Promoters Pledged %	0%

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Betting on higher capacity utilisation in an improving demand scenario

We recently met Mr. Vipul Garg, VP-Corporate Affairs of Trident Limited. Trident is world's largest terry towel player in terms of capacity and largest player in Home Textiles in India. Trident has two business verticals viz. Textiles (81% of FY18 revenues) and Paper (19% of FY18 revenue). Within the textiles business, the Home textiles segment accounts for 38% of FY18 revenue and Yarn segment for 33% of FY18 revenue. The company started its journey as a Yarn manufacturing company back in 1993 and subsequently expanded in Terry towel business in 1999. Since then the company added bed linen in 2016 and currently is amongst the world's largest integrated Home Textile manufacturers. In 2002, the company expanded into paper becoming the world's largest wheat straw based paper manufacturer and registers EBITDAM as high as 40%. In the meet, he gave us an elaborative understanding of the business and its future growth prospects.

Key takeaways from the meet:

Capacity Utilisation to fuel growth

The Bath Linen (terry towel) has a capacity of 90000 mt per annum with FY18 utilisation at 45% while Bed Linen has a capacity of 42.96 million meters per annum with FY18 utilisation at 44%. Home Textiles contributed Rs 2178 crores of revenue in FY18. At optimum capacity utilisation, towel would clock a revenue of Rs 3500 crores while bed linen would clock a revenue of Rs 1000 crores. Management expects to achieve this by FY21. This denotes a CAGR growth of 27% over FY18-21 with improving asset turnover ratio and expansion in EBITDA margins.

Power/steam plant to expand EBITDA by 200 bps

While, the punjab facility is completely supported by the company's power plant, the new facility at Budni, MP currently runs through purchase of power from outside and the cost of power and steam accounts for 10% of manufacturing cost there. Recently, the company announced its plan to implement Co-gen Steam (2 x 150 TPH) and Power Plant (2 x 30 MW) facility in Budni, Madhya Pradesh at a total capital outlay of around Rs 550 crores to be financed by internal accruals(200 crores) and external borrowings(350 crores). The project shall be executed in a phased manner and is expected to be completed by FY21. The company has received all the necessary approvals and financiers and has also engaged to build contracts for necessary supplies.

Favorable global demand and regulatory environment to help going ahead

FY18 was the year in which the whole home textile industry faced various challenges like destocking in USA resulting drop in demand, impact of GST and demonetisation, reduction in duty drawback etc. All these led to fall in margins for the industry. The management also re-affirmed that the demand scenario is improving in US with restocking seen by the retailers along with improving consumer sentiments in US. The GST and duty drawback related issues cleared out in H2FY18 and currently, the benefits pre and post GST era are aligned at par providing a breather to the textile industry. On challenge of US on MEIS scheme, management thinks that even if India loses its contest in WTO, the government would continue to support the textile industry and the duty incentive structure will remain the same.

KEY FINANCIAL/VALUATIONS	FY15	FY16	FY17	FY18
Net Sales (Rs crore)	3754	3665	4617	4564
EBITDA (Rs crore)	661	730	886	820
EBIT (Rs crore)	339	394	473	416
PAT (Rs crore)	118	242	337	264
EPS (Rs)	2	5	7	5
EPS growth (%)	-40%	111%	34%	-17%
ROE (%)	8%	11%	13%	10%
ROCE (%)	9%	7%	8%	7%
BV	43	47	53	57
P/B (x)	1	1	2	1
P/E (x)	10	11	13	11

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