

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR16.1
TP: INR18.4 (+15%)
Buy

Growth momentum continues; order book visibility improves

Revenue in-line; EBITDA/PAT below estimates

- Trident (TRID) reported a strong performance on the back of demand revival in the Home Textiles and Paper segments. The demand trend in Home Textiles is expected to continue in the upcoming quarters as well, led by order book visibility for the next six months. However, demand revival in the Paper segment has been impacted by the second COVID wave. Recovery is expected in the coming quarters as offices and educational institutions start to open up.
- Although the performance was below our estimates, we maintain our earnings estimates for FY22/FY23 on an improving demand outlook. Maintain **Buy**.

Bath and Bed Linen revenue up 52% and 109% YoY, respectively

- TRID reported standalone revenue of INR13.5b (est. INR13.8b), up 36% YoY. EBITDA margins expanded 330bp to 16.8% on operating leverage. EBITDA margins expanded despite gross margin contraction of 155bp to 54.1%. 4Q EBITDA, adjusted for forex gains, was up 69% YoY to INR2.3b (est. INR2.6b). Consequently, adj. PAT grew 3.4x YoY to INR976m. On a QoQ basis, revenue/PAT grew 5%/3%, whereas EBITDA declined 4%.
- FY21 consolidated revenue/EBITDA de-grew 4%/2%, whereas adj PAT grew 3% YoY. The company generated CFO of INR5b in FY21 v/s INR12.1b last year; higher inventory and trade receivables led to lower CFO.
- Textiles revenue was up 46% YoY (+2% QoQ) to INR11.3b, with EBIT margins expanding 700bp YoY (-300bp QoQ) to 9.8% (after forex adj). Capacity utilization in 4QFY21 in Bath and Bed Linen stood at 61% (v/s 62% in 3QFY21) and 92% (v/s 101% in 3QFY21), respectively. On a QoQ basis, overall segmental revenue grew 2%, while EBIT declined 21%.
- Paper and Chemicals revenue grew 2% YoY (+20% QoQ) to INR2.2b, with the EBIT margin expanding 80bp YoY (+650bp QoQ) to 27.8%. Capacity utilization in the Paper segment stood at 92% (v/s 87% in 3QFY21). On a QoQ basis, overall segmental revenue/EBIT was up 20%/56%.

Highlights from press release

- Net debt stood at INR14.2b as of Mar'21 v/s INR16.1b as of Mar'20.
- The Home Textiles segment has sustained the demand momentum in the current quarter, with Bath and Bed Linen segments posting revenue growth of 52% and 109% YoY, respectively. Exports had a robust 64% contribution to the total revenue for the quarter.
- The yarn project has been proposed at a total cost of INR11.4b, with the implementation happening under three phases. However, the company has decided to go ahead with the implementation of a single phase only, which is near completion; it would review the capex in due course, in line with the strategic plan to achieve 'Vision 2025'.

Bloomberg	TRID IN
Equity Shares (m)	4,978
M.Cap.(INRb)/(USDb)	82 / 1.1
52-Week Range (INR)	19 / 4
1, 6, 12 Rel. Per (%)	13/102/170
12M Avg Val (INR M)	243

Financials & Valuations (INR b)

Y/E Mar	2021	2022	2023
Sales	45.3	57.2	64.8
EBITDA	8.2	11.1	12.6
PAT	3.3	5.3	6.6
EBITDA (%)	10.6	13.1	13.6
EPS (INR)	0.7	1.1	1.3
EPS Gr. (%)	3.2	60.9	23.3
BV/Sh. (INR)	6.7	7.6	8.8

Ratios

Net D/E	0.4	0.4	0.2
RoE (%)	10.4	14.9	16.0
RoCE (%)	7.7	11.5	12.7
Payout (%)	5.9	10.0	10.0

Valuations

P/E (x)	24.2	15.1	12.2
EV/EBITDA (x)	11.5	8.6	7.2
Div Yield (%)	0.2	0.7	0.8
FCF Yield (%)	1.0	0.3	12.1

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	73.0	73.0	71.1
DII	0.9	0.9	1.0
FII	3.6	3.6	2.1
Others	22.4	22.5	25.9

Valuation and view

- Work-from-home in most of the big cities across the world has contributed to the demand revival of home textile products – with people spending more on home improvement products, as homes have been converted into primary workplaces. Demand revival has been further supported by government stimulus, with the consumer focus largely on health and hygiene.
- TRID saw strong demand for Home Textiles in 4QFY21, and the trend is expected to continue in FY22, driven by strong demand from global retailers; the company has order book visibility for the next six months.
- Although the performance was below our estimates, we maintain our earnings estimates for FY22/FY23 on an improving demand outlook.
- We value the company at 14x FY23E EPS and arrive at TP of INR18.4. Maintain **Buy**.

Standalone - Quarterly Earnings Model

(INR m)

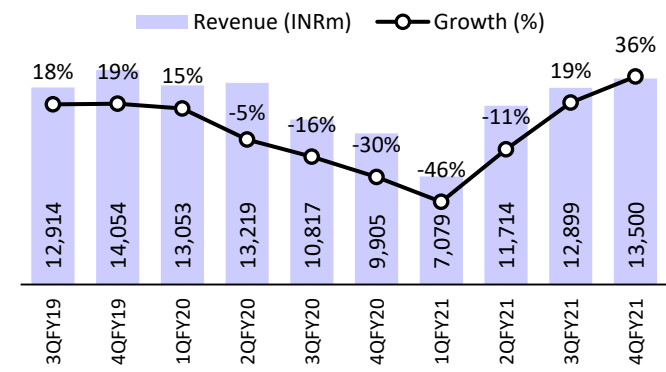
Y/E March	FY20				FY21				FY20	FY21	FY21	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Sales	13,053	13,219	10,817	9,905	7,079	11,714	12,899	13,500	46,995	45,193	13,789	-2
YoY Change (%)	15.4	-5.0	-16.2	-29.5	-45.8	-11.4	19.3	36.3	-10.0	-3.8	39.2	
Total Expenditure	10,143	10,692	9,416	8,562	5,898	9,467	10,545	11,229	38,813	37,139	11,169	
EBITDA	2,911	2,527	1,401	1,343	1,181	2,247	2,355	2,271	8,182	8,054	2,620	-13
Margins (%)	22.3	19.1	12.9	13.6	16.7	19.2	18.3	16.8	17.4	17.8	19.0	
Depreciation	846	849	822	815	824	831	830	880	3,333	3,365	830	
Interest	325	271	234	278	231	123	132	234	1,108	720	170	
Other Income	78	37	97	68	54	32	50	26	280	162	64	
PBT before EO expense	1,817	1,445	441	317	181	1,325	1,443	1,184	4,020	4,132	1,684	
Extra-Ord expense	0	0	0	0	0	0	-570	304	0	-266	0	
Forex (gain)/loss	-18	-26	-39	-109	49	9	-27	-85	-192	-54	0	
PBT	1,835	1,470	480	427	132	1,316	2,040	964	4,212	4,451	1,684	
Tax	603	99	61	31	31	313	443	208	794	994	424	
Rate (%)	32.8	6.8	12.8	7.3	23.5	23.8	21.7	21.5	18.9	22.3	25.2	
MI & P/L of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	1,232	1,371	419	396	101	1,002	1,598	756	3,418	3,457	1,260	
Adj PAT	1,215	1,345	380	286	150	1,012	1,000	976	3,226	3,138	1,260	-23
YoY Change (%)	107.6	24.1	-65.9	-69.1	-87.7	-24.8	163.5	240.8	-13.0	-2.7	218.6	
Margins (%)	9.3	10.2	3.5	2.9	2.1	8.6	7.8	7.2	6.9	6.9	9.1	

Key Performance Indicators

Y/E March	FY20				FY21				2020	FY21
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Segment Revenue Gr. (%)										
Textiles	15.5	-4.3	-17.7	-31.4	-44.6	-9.4	30.4	45.7	-10.5	1.0
Paper	15.1	-8.2	-10.3	-21.9	-50.7	-20.6	-21.6	2.1	-7.5	-23.7
Cost Break-up										
RM Cost (% of sales)	43.9	46.3	47.8	44.3	44.7	43.5	44.9	45.9	45.6	44.8
Staff Cost (% of sales)	11.4	11.3	13.4	14.1	13.9	12.6	12.7	12.5	12.4	12.8
Other Cost (% of sales)	22.4	23.3	25.8	28.0	24.7	24.7	24.2	24.8	24.6	24.6
Gross Margins (%)	56.1	53.7	52.2	55.7	55.3	56.5	55.1	54.1	54.4	55.2
EBITDA Margins (%)	22.3	19.1	12.9	13.6	16.7	19.2	18.3	16.8	17.4	17.8
EBIT Margins (%)	15.8	12.7	5.3	5.3	5.0	12.1	11.8	10.3	10.3	10.4

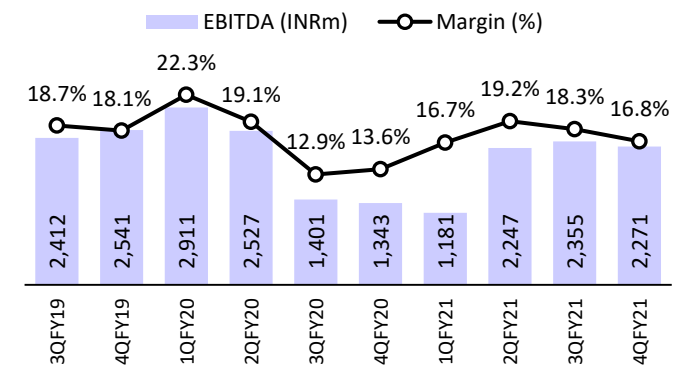
Key exhibits

Exhibit 1: Revenue trend



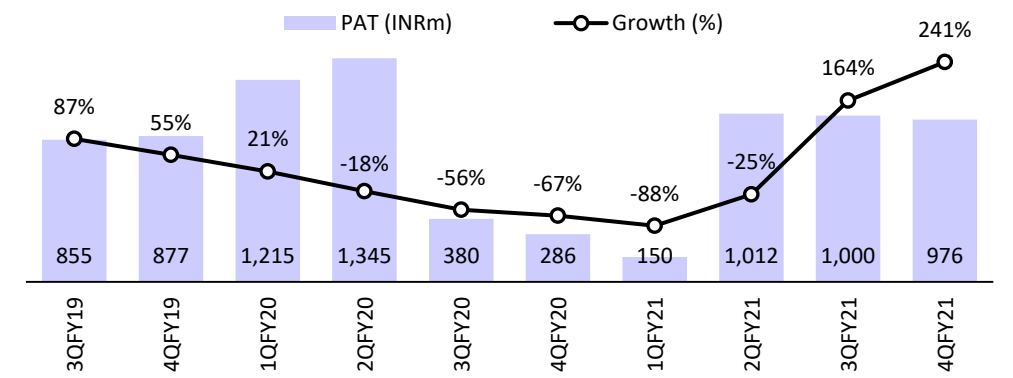
Source: Company, MOFSL

Exhibit 2: EBITDA margin trend



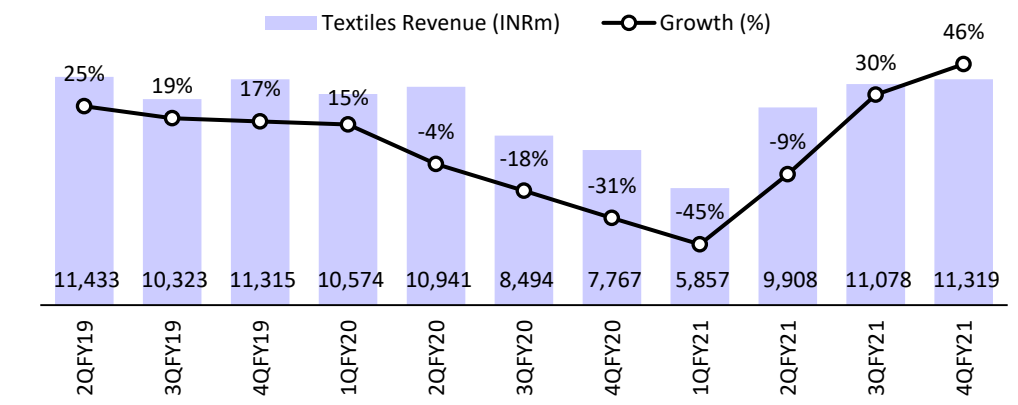
Source: Company, MOFSL

Exhibit 3: Adj. PAT trend



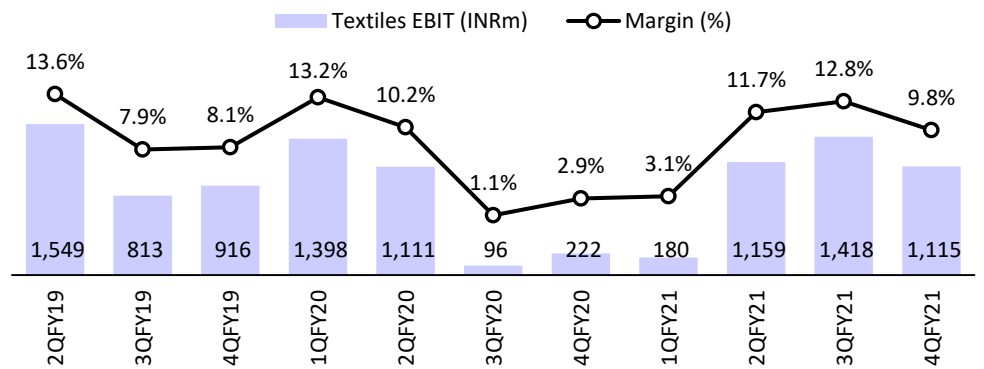
Source: Company, MOFSL

Exhibit 4: Textiles – revenue trend



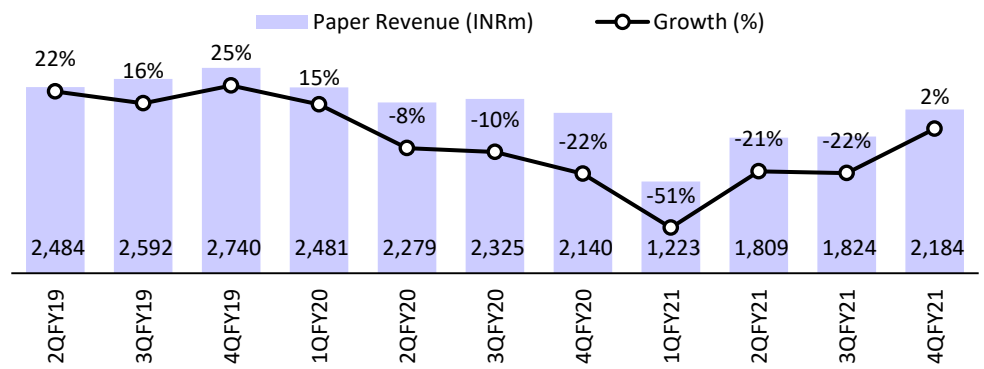
Source: Company, MOFSL

Exhibit 5: Textiles – EBIT and EBIT margin trend



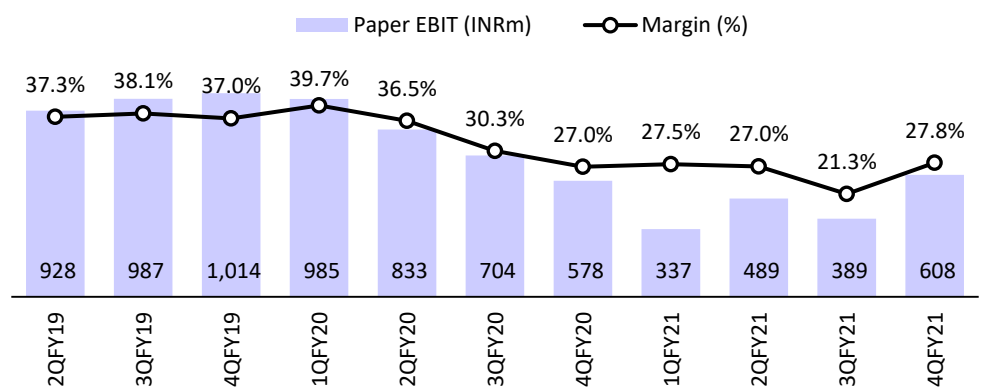
Source: Company, MOFSL

Exhibit 6: Paper – revenue trend



Source: Company, MOFSL

Exhibit 7: Paper – EBIT and EBIT margin trend



Source: Company, MOFSL



Press release highlights

Home Textiles

- The global Home Textiles market was largely driven by demand from the US and Europe – which constitute 60% of home textile imports. Domestic organized players faced competition from countries such as China, Pakistan, Vietnam, etc. COVID led to disruption in manufacturers' operations and the slowing of demand in both India and export markets.
- Although orders/sales started to pick up by end-1QFY21, the Home Textiles industry witnessed strong demand revival in 2QFY21. This was attributable to high demand from major retailers (selling essentials) – that saw their inventory pipelines run dry due to the huge demand buildup on account of COVID-19.
- Work-from-home in most of the big cities across the world has contributed to the demand revival of home textile products – with people spending more on home improvement products, as homes have been converted into primary workplaces.
- India's share in US cotton sheets increased in overall percentage terms to 60% as of Mar'21. On the contrary, China and RoW have lost around 8% share since CY20. In the Terry Towel segment, India's share had edged up to 43% as of Mar'21, against 42% in CY20.

Paper

- Currently, mills manufacturing writing printing paper are operating at 70–90% of installed capacity.
- 60% of writing printing paper demand is directly/indirectly dependent on the Education sector, which is expected to normalize in FY22. Another demand driver is low consumption per capita – going forward, the domestic requirement is expected to be 5.2mmt.
- Pricing, vis-a-vis FY20 rates, is down approximately 22–25% (dependent on the demand-supply scenario). Global consumption is low currently, and due to various inter-related factors, major global manufacturers are still unable to utilize their full capacity.
- With the projected increase in consumption and import policy optimization, volumes and realizations are expected to improve in the coming quarters – barring the severe impact of COVID-19.

Cotton

- Cotton consumption in FY22 is likely to be impacted by the ongoing COVID pandemic and resultant lockdowns in most states. Estimated consumption for the current crop year, however, is now higher by 6.5m bales vis-à-vis the previous year's consumption estimate of 25m bales of 170kgs each.
- **Cotton imports:** The estimate for cotton imports to India has been retained at 1.1m bales of 170kgs each. Import estimates for the FY21 crop year are now down by 0.45m bales of 170kgs each (from 1.55m bales of 170kgs each estimated for the FY20 crop year).
- **Xinjiang cotton:** The US ban on products made from cotton obtained from China's Xinjiang region – given that one-fifth of the world's cotton comes from the region – would further impact cotton prices going forward. Other cotton-supplying countries may also face additional pressures.

Capex

- The yarn project has been proposed at a total cost of INR11.4b, with the implementation happening under three phases. However, the company has decided to go ahead with the implementation of a single phase only, which is near completion; it would review the capex in due course, in line with the strategic plan to achieve 'Vision 2025'.
- The company has decided not to go ahead with the paper upgrade project, proposed at a total cost of INR2.22b, for the time being. A decision regarding its implementation would be taken at a later stage when the market condition improves.
- Additionally, the management has approved the diversification of business operations under the Chemical Segment for the production of Detergent Powder (with a capacity of 10mt/day).

Vision 2025

- The company has unveiled 'Vision 2025', under which its three BHAGs (Big, Hairy, and Audacious Goals – pronounced Bee-Hags) have been formulated, aimed at unlocking long-term sustainable value for its shareholders.
 - It aims to achieve revenue of INR250b by 2025, with a 12% PAT margin.
 - It aims to make brand Trident a national brand.
 - Digital Trident – By completing the journey of Industry 4.0
- 'Vision 2025' shall accelerate the growth momentum, thereby placing the company in an upward trajectory and adding value/growth to shareholders and business associates. The company has appointed business advisory and consulting organizations to collaborate on this journey. TRID has frequent discussions with its advisors and is exploring various options and strategies to make this happen. The company has shortlisted the following imperatives to achieve Vision 2025:
 - **Growing the core business** – It would capitalize on the recent growing retail trends in online and offline brands.
 - **Expanding its presence in Digital & Industry 4.0** – This comprises focusing on IOT, blockchain, and digitalization.
 - **Developing robust processes and organization** – It aims to boost efficiency and simplify and automate processes.
 - **Building new businesses** – It intends to diversify, build, and grow new businesses.
- The company would prioritize these imperatives to achieve Vision 2025 and give its investors timely updates.

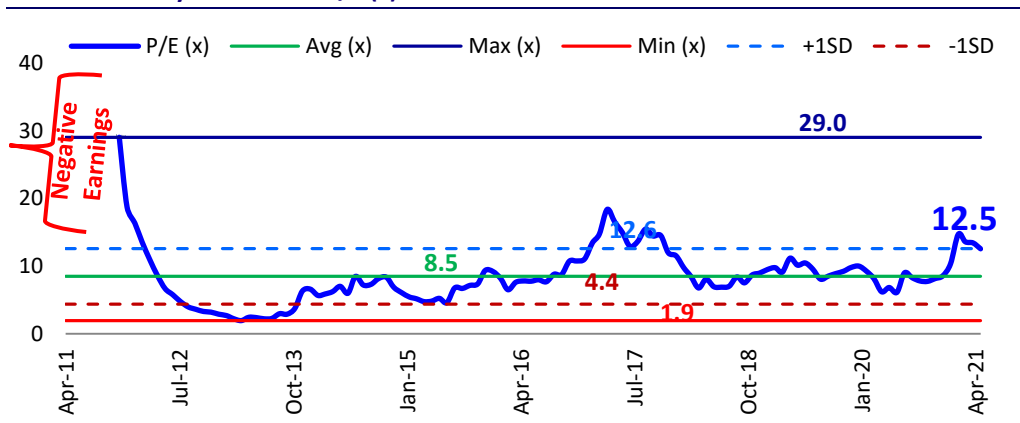
Others

- Currently, India enjoys status as a GSP beneficiary, whereas Pakistan has been awarded the GSP+ status. Generally, EU reviews Pakistan's GSP+ status once every two years (due in 2022); however, the EU has recently passed a resolution to move up the review date of Pakistan's GSP+ status. That said, if the status is withdrawn, exports from Pakistan would attract ~20% import duty on entering the EU. This provides enormous potential for India's home textile players.
- The average negotiated rate for the current quarter is INR74.21 per USD. The average forward hedged rate for FY22 is around INR75.81 per USD.

Valuation

- Work-from-home in most of the big cities across the world has contributed to the demand revival of home textile products – with people spending more on home improvement products, as homes have been converted into primary workplaces. Demand revival has been further supported by government stimulus, with the consumer focus largely on health and hygiene.
- TRID saw strong demand for Home Textiles in 4QFY21, and the trend is expected to continue in FY22, driven by strong demand from global retailers; the company has order book visibility for the next six months.
- Additionally, it has unveiled the 'Vision 2025', wherein it aims to achieve revenue of INR250b by 2025, with a 12% PAT margin. TRID has appointed business advisory and consulting organizations for assistance. The company has shortlisted the following imperatives to achieve Vision 2025: (i) **growing the core business** – it would capitalize on the recent growing retail trends in online and offline brands; (ii) **expanding its presence in Digital & Industry 4.0** – this comprises focusing on IOT, blockchain, and digitalization; (iii) **developing robust processes and organization** – it aims to boost efficiency and simplify and automate processes; and (iv) **building new businesses** – it intends to diversify, build, and grow new businesses. We await further clarity on how the company plans to achieve the said vision.
- Although the performance was below our estimates, we maintain our earnings estimates for FY22/FY23 on an improving demand outlook.
- We value the company at 14x FY23E EPS and arrive at TP of INR18.4. Maintain **Buy**.

Exhibit 8: One-year forward P/E (x)



Source: MOFSL

Exhibit 9: Change in estimates

Earnings Change (INR m)	Old		New		Change	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	56,589	64,023	57,235	64,754	1%	1%
EBITDA	10,788	12,673	11,121	12,643	3%	0%
Adj. PAT	5,218	6,737	5,324	6,563	2%	-3%

Source: MOFSL

Financials and valuations

Consolidated – Income Statement								(INR m)
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Total Income from Operations	36,657	46,252	45,594	52,486	47,277	45,306	57,235	64,754
Change (%)	-2.4	26.2	-1.4	15.1	-9.9	-4.2	26.3	13.1
Total Expenditure	29,359	37,397	37,402	41,931	38,979	37,134	46,114	52,111
% of Sales	80.1	80.9	82.0	79.9	82.4	82.0	80.6	80.5
EBITDA	7,297	8,855	8,192	10,555	8,298	8,172	11,121	12,643
Margin (%)	19.9	19.1	18.0	20.1	17.6	18.0	19.4	19.5
Depreciation	3,366	4,125	4,041	3,640	3,337	3,369	3,599	3,863
EBIT	3,931	4,730	4,151	6,915	4,961	4,804	7,522	8,780
Int. and Finance Charges	1,452	1,410	1,182	1,185	1,109	721	865	657
Other Income	334	1,062	621	434	202	161	458	648
PBT bef. EO Exp.	2,813	4,382	3,590	6,165	4,055	4,244	7,115	8,770
EO Items	0	0	-321	666	-192	265	0	0
PBT after EO Exp.	2,813	4,382	3,911	5,499	4,246	3,978	7,115	8,770
Total Tax	392	1,016	1,256	1,784	813	941	1,791	2,207
Tax Rate (%)	13.9	23.2	32.1	32.4	19.2	23.6	25.2	25.2
Share of profit/(loss) of associates	0	7	6	2	-36	6	0	0
Reported PAT	2,421	3,372	2,661	3,718	3,397	3,044	5,324	6,563
Adjusted PAT	2,421	3,372	2,341	4,383	3,205	3,309	5,324	6,563
Change (%)	105.4	39.3	-30.6	87.3	-26.9	3.2	60.9	23.3
Margin (%)	6.6	7.3	5.1	8.4	6.8	7.3	9.3	10.1

Consolidated – Balance Sheet								(INR m)
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Equity Share Capital	5,094	4,979	4,978	4,981	4,979	5,096	5,096	5,096
Total Reserves	19,267	20,416	22,284	24,749	25,235	28,187	32,979	38,885
Net Worth	24,361	25,395	27,262	29,730	30,214	33,283	38,075	43,981
Total Loans	34,427	28,498	28,192	24,360	19,518	15,355	16,856	11,856
Deferred Tax Liabilities	1,582	2,952	3,401	4,079	3,366	3,203	3,203	3,203
Capital Employed	60,369	56,844	58,855	58,169	53,098	51,842	58,134	59,041
Gross Block	70,389	69,188	70,603	72,387	74,677	79,297	84,297	91,297
Less: Accum. Deprn.	23,415	27,540	31,581	35,221	38,558	41,927	45,526	49,389
Net Fixed Assets	46,974	41,648	39,022	37,166	36,119	37,370	38,771	41,908
Capital WIP	571	1,232	1,766	1,318	1,408	571	2,571	-3,429
Current Investments	1	49	109	669	0	0	0	3,500
Total Investments	723	1,054	1,152	1,982	1,276	14	14	3,514
Curr. Assets, Loans&Adv.	17,025	16,107	19,693	21,095	18,960	19,761	23,674	24,923
Inventory	9,065	7,747	9,226	10,121	9,164	10,230	12,074	13,306
Account Receivables	2,513	3,751	4,604	6,577	2,754	4,487	5,488	5,677
Cash and Bank Balance	819	1,326	1,666	257	3,379	1,186	1,532	1,407
Loans and Advances	4,627	3,282	4,197	4,141	3,664	3,859	4,579	4,533
Curr. Liability & Prov.	4,924	3,196	2,777	3,392	4,666	5,875	6,895	7,875
Account Payables	2,237	1,730	1,690	1,866	2,023	2,985	3,251	3,752
Other Current Liabilities	2,539	1,259	947	1,333	2,430	2,667	3,434	3,885
Provisions	148	207	139	193	213	223	210	238
Net Current Assets	12,101	12,911	16,916	17,703	14,294	13,886	16,778	17,048
Appl. of Funds	60,369	56,844	58,855	58,169	53,098	51,842	58,134	59,041

Financials and valuations

Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Basic (INR)								
EPS	0.5	0.7	0.5	0.9	0.6	0.7	1.1	1.3
Cash EPS	1.2	1.5	1.3	1.6	1.3	1.3	1.8	2.1
BV/Share	4.9	5.1	5.5	6.0	6.1	6.7	7.6	8.8
DPS	0.1	0.2	0.1	0.0	0.0	0.0	0.1	0.1
Payout (%)	22.6	27.1	33.8	4.8	6.4	5.9	10.0	10.0
Valuation (x)								
P/E	33.1	23.8	34.3	18.3	25.0	24.2	15.1	12.2
Cash P/E	13.9	10.7	12.6	10.0	12.3	12.0	9.0	7.7
P/BV	3.3	3.2	2.9	2.7	2.7	2.4	2.1	1.8
EV/Sales	3.1	2.3	2.3	2.0	2.0	2.1	1.7	1.4
EV/EBITDA	15.6	12.1	13.0	9.9	11.6	11.5	8.6	7.2
Dividend Yield (%)	0.6	0.9	0.9	0.2	0.2	0.2	0.7	0.8
FCF per share	-1.2	1.7	0.5	1.0	2.0	0.2	0.0	1.9
Return Ratios (%)								
RoE	10.4	13.6	8.9	15.4	10.7	10.4	14.9	16.0
RoCE	6.8	7.9	5.9	9.1	8.0	7.7	11.5	12.7
RoIC	6.4	6.5	5.2	8.6	7.9	7.6	10.8	11.8
Working Capital Ratios								
Fixed Asset Turnover (x)	0.5	0.7	0.6	0.7	0.6	0.6	0.7	0.7
Asset Turnover (x)	0.6	0.8	0.8	0.9	0.9	0.9	1.0	1.1
Inventory (Days)	191	127	148	152	156	185	171	163
Debtor (Days)	25	30	37	46	21	36	35	32
Creditor (Days)	47	28	27	28	34	54	46	46
Leverage Ratio (x)								
Current Ratio	3.5	5.0	7.1	6.2	4.1	3.4	3.4	3.2
Interest Cover Ratio	2.7	3.4	3.5	5.8	4.5	6.7	8.7	13.4
Net Debt/Equity	1.4	1.1	1.0	0.8	0.5	0.4	0.4	0.2

Consolidated – Cash Flow Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
OP/(Loss) before Tax	2,766	4,388	3,590	5,499	4,246	3,978	7,115	8,770
Depreciation	3,376	4,125	4,041	3,640	3,337	3,369	3,599	3,863
Interest & Finance Charges	1,230	1,300	1,095	1,185	1,109	721	865	657
Direct Taxes Paid	-600	-860	-909	-1,784	-813	-941	-1,791	-2,207
(Inc)/Dec in WC	-1,424	1,243	-3,017	-2,195	4,258	-2,546	-2,546	-394
CF from Operations	5,348	10,196	4,799	6,345	12,137	4,581	7,242	10,689
Others	-60	-200	-364	0	0	0	0	0
CF from Operating incl EO	5,288	9,996	4,435	6,345	12,137	4,581	7,242	10,689
(Inc)/Dec in FA	-11,214	-1,467	-2,019	-1,336	-2,381	-3,782	-7,000	-1,000
Free Cash Flow	-5,926	8,529	2,416	5,009	9,756	799	242	9,689
(Pur)/Sale of Investments	-250	-193	-10	-831	706	1,262	0	-3,500
Others	132	-15	150	0	1,248	971	0	0
CF from Investments	-11,332	-1,675	-1,879	-2,167	-427	-1,549	-7,000	-4,500
Issue of Shares	611	87	0	3	-2	117	0	0
Inc/(Dec) in Debt	7,809	-5,858	-537	-3,832	-4,842	-4,163	1,501	-5,000
Interest Paid	-1,367	-1,398	-1,224	-1,185	-1,109	-721	-865	-657
Dividend Paid	-360	-915	-920	-180	-218	-179	-532	-656
Others	0	270	465	-393	-2,418	-278	0	0
CF from Fin. Activity	6,694	-7,814	-2,217	-5,586	-8,588	-5,225	104	-6,314
Inc/Dec of Cash	649	507	339	-1,408	3,122	-2,193	346	-125
Opening Balance	170	819	1,326	1,666	257	3,379	1,186	1,532
Closing Balance	819	1,326	1,666	257	3,379	1,186	1,532	1,407

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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