

Estimate change



TP change



Rating change


CMP: INR41
TP: INR47 (+15%)
Buy

Revival boosts performance

Revenue/EBITDA/PAT in line with our estimates

- TRID reported a strong performance in the Home Textiles and Paper segment, driven by robust demand after the lifting of COVID-related lockdown restrictions. The demand trend in Home Textiles is expected to continue, with freight cost gradually subsiding and pent-up demand in the US and Europe market. The Paper segment is expected to see a sharp recovery with the opening of offices and educational institutes.
- We maintain our FY22 earnings estimate, factoring in the growth opportunity with normalization of business operations, coupled with an improving demand outlook. We increase our FY23E/FY24E earnings estimate by 11%/22%. We maintain our **Buy** rating.

Pent up demand drives growth

- Revenue grew 42% YoY to INR16.6b (est. INR15.9b). EBITDA margin expanded by 470bp to 23.9%, despite a 100bp contraction in gross margin (to 55.5%). EBITDA, adjusted for a forex gain, rose 77% YoY to INR3.9b (est. INR3.9b). Adjusted PAT grew 2.2x YoY to INR2,214m.
- Revenue from Textiles rose 42% YoY (+10% QoQ) to INR14b, with EBIT margin expanding by 910p YoY (50bp QoQ) to 20.8% (after the forex adjustment). Textile EBIT surged by 2.5x YoY to INR2.9b. Capacity utilization in bath and bed linen stood at 66% in 2QFY22 (v/s 62% in 1QFY22) and 86% (v/s 85% in 1QFY22). Segmental revenue/EBIT grew by 10%/13% QoQ.
- Revenue from Paper and Chemicals grew 41% YoY (+31% QoQ) to INR2.6b. EBIT margin contracted by 310bp YoY (-650bp QoQ) to 23.9%. Paper EBIT rose 25% YoY to INR612m. Capacity utilization in the Paper segment stood at 98% (v/s 85% in 1QFY22). Segmental revenue/EBIT grew by 31%/3% QoQ.

Highlights from press release

- Market share:** As per OTEXA data, India's market share in US cotton sheets has increased to 59% from Jan-Aug'21, whereas China and Pakistan have collectively lost ~3% (as compared to the same period last year). In the Terry Towel segment, India's share has risen by 200bp to 44% in CY21 till date (v/s 42% in CY20), while China's share fell by 200bp.
- FTAs:** The Govt is trying to conclude FTA agreements with the EU that will benefit the entire industry and particularly large Home Textile players (like TRID).
- Debt repayment:** The management has taken several initiatives to pare down its debt, including prepayments of high-cost loans, reduction in working capital through retention of cash accruals, other measures to reduce the CTC cycle, and build up its cash reserves. Net debt fell to INR10.4b as of Sep'21 (v/s INR12.3b as of Jun'21).

	TRID IN
Bloomberg	TRID IN
Equity Shares (m)	4,978
M.Cap.(INRb)/(USDb)	206.6 / 2.8
52-Week Range (INR)	43 / 7
1, 6, 12 Rel. Per (%)	66/174/365
12M Avg Val (INR M)	565

Financials & Valuations (INR b)

Y/E Mar	2022E	2023E	2024E
Sales	64.5	70.2	78.0
EBITDA	15.7	17.0	19.8
PAT	8.6	9.8	12.0
EBITDA (%)	18.9	18.9	20.1
EPS (INR)	1.7	2.0	2.4
EPS Gr. (%)	158.8	14.7	22.6
BV/Sh. (INR)	8.3	10.0	12.2
Ratios			
Net D/E	0.3	0.1	0.0
RoE (%)	23.0	21.6	21.8
RoCE (%)	17.4	17.2	19.0
Payout (%)	10.0	10.0	10.0
Valuations			
P/E (x)	23.6	20.6	16.8
EV/EBITDA (x)	13.7	12.4	10.5
Div Yield (%)	0.4	0.5	0.6
FCF Yield (%)	1.4	4.4	4.5

Shareholding pattern (%)

As On	Sep-21	Jun-21	Sep-20
Promoter	73.0	73.0	71.8
DII	0.9	0.9	1.0
FII	4.1	3.6	1.6
Others	22.0	22.5	25.6

Valuation and view

- The US and Europe are major importers of Home Textile products globally. Since people could not celebrate festivals last year due to COVID-related lockdown restrictions, a lot of pent-up demand is being witnessed in the upcoming festive season in the US and Europe. This has led to strong demand in 3Q and in 4QFY22 as well. Increased global awareness on health and hygiene and working from home are the growth drivers for Home Textile products as home décor is the new 'global favorite.'
- The healthy growth in India's Home textile segment is expected to continue on increased awareness of health and hygiene, easing logistics issues, and market share gains from China and Pakistan in the US market.
- We maintain our FY22 earnings estimate, factoring in the growth opportunity with normalization of business operations, coupled with an improving demand outlook. We increase our FY23E/FY24E earnings estimate by 11%/22%.
- We value TRID at 19x FY24E EPS to arrive at our TP of INR47. We maintain our **Buy** rating.

Standalone quarterly earnings model

(INR m)

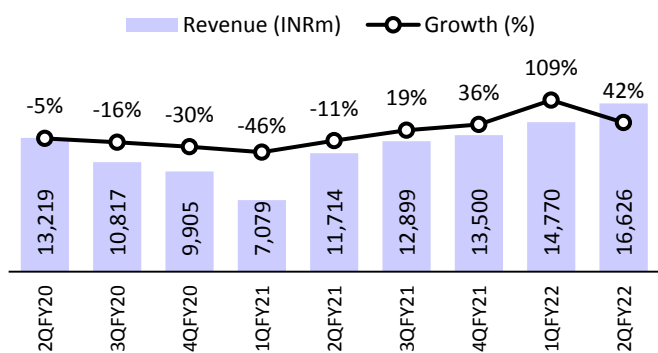
Y/E March	FY21				FY22				FY21	FY22	FY22E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
Net Sales	7,079	11,714	12,899	13,500	14,770	16,626	16,440	16,656	45,193	64,492	15,992	4
YoY Change (%)	-45.8	-11.4	19.3	36.3	108.6	41.9	27.4	23.4	-3.8	42.7	36.5	
Total Expenditure	5,898	9,467	10,545	11,229	11,036	12,651	12,433	12,627	37,139	48,747	12,065	
EBITDA	1,181	2,247	2,355	2,271	3,734	3,975	4,007	4,030	8,054	15,745	3,927	1
Margin (%)	16.7	19.2	18.3	16.8	25.3	23.9	24.4	24.2	17.8	24.4	24.6	
Depreciation	824	831	830	880	874	887	900	920	3,365	3,581	890	
Interest	231	123	132	234	250	199	230	230	720	909	230	
Other Income	54	32	50	26	29	101	60	32	162	221	38	
PBT before EO expense	181	1,325	1,443	1,184	2,638	2,990	2,937	2,911	4,132	11,476	2,845	
Extra-Ord. expense	0	0	-570	304	0	0	0	0	-266	0	0	
Forex (gain)/loss	49	9	-27	-85	-62	-54	0	0	-54	-116	0	
PBT	132	1,316	2,040	964	2,700	3,043	2,937	2,911	4,451	11,592	2,845	
Tax	31	313	443	208	665	775	739	733	994	2,913	716	
Rate (%)	23.5	23.8	21.7	21.5	24.6	25.5	25.2	25.2	22.3	25.1	25.2	
MI and P/L of Asso. Cos.	0	0	0	0	0	0	0	0	0	0	0	
Reported PAT	101	1,002	1,598	756	2,035	2,268	2,198	2,178	3,457	8,679	2,129	
Adj. PAT	150	1,012	1,000	976	1,973	2,214	2,198	2,178	3,138	8,564	2,129	4
YoY Change (%)	-87.7	-24.8	163.5	240.8	1,219.7	118.9	119.7	123.2	-2.7	172.9	110.4	
Margin (%)	2.1	8.6	7.8	7.2	13.4	13.3	13.4	13.1	6.9	13.3	13.3	

Key performance indicators

Y/E March	FY21				FY22				FY21	FY22E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Segment Revenue Growth (%)										
Textiles	-44.6	-9.4	30.4	45.7	118.9	42.0	27.0	24.0	1.0	44.1
Paper	-50.7	-20.6	-21.6	2.1	59.4	41.5	30.0	20.0	-23.7	35.0
Cost Break-up										
RM Cost (as a percentage of sales)	44.7	43.5	44.9	45.9	40.5	44.5	43.0	43.0	44.8	42.8
Staff Cost (as a percentage of sales)	13.9	12.6	12.7	12.5	11.8	10.0	10.8	10.8	12.8	10.8
Other Cost (as a percentage of sales)	24.7	24.7	24.2	24.8	22.4	21.6	21.8	22.0	24.6	21.9
Gross Margin (%)	55.3	56.5	55.1	54.1	59.5	55.5	57.0	57.0	55.2	57.2
EBITDA Margin (%)	16.7	19.2	18.3	16.8	25.3	23.9	24.4	24.2	17.8	24.4
EBIT Margin (%)	5.0	12.1	11.8	10.3	19.4	18.6	18.9	18.7	10.4	18.9

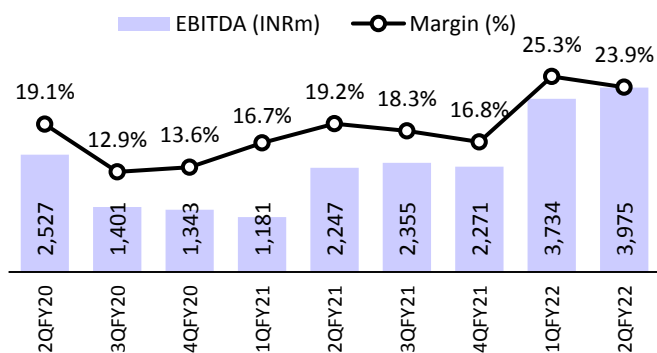
Key exhibits

Exhibit 1: Revenue trend



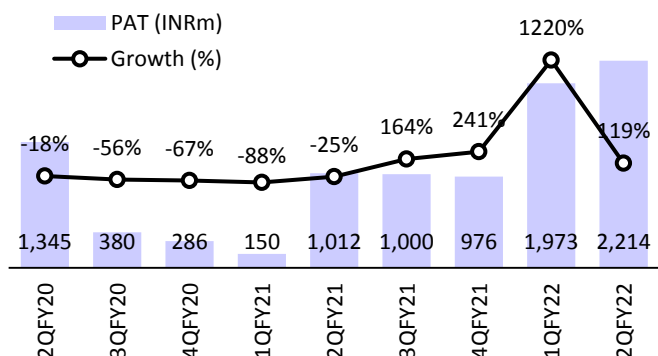
Source: Company, MOSL

Exhibit 2: EBITDA margin trend



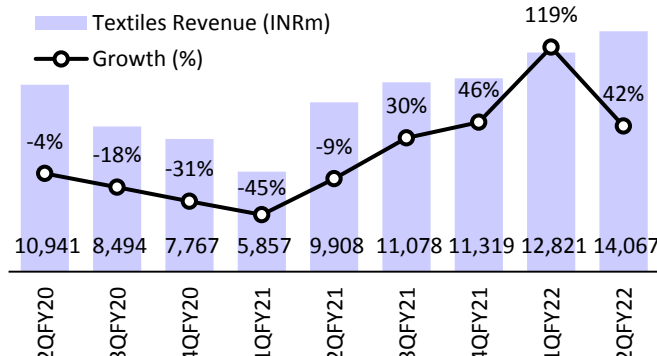
Source: Company, MOSL

Exhibit 3: Adjusted PAT trend



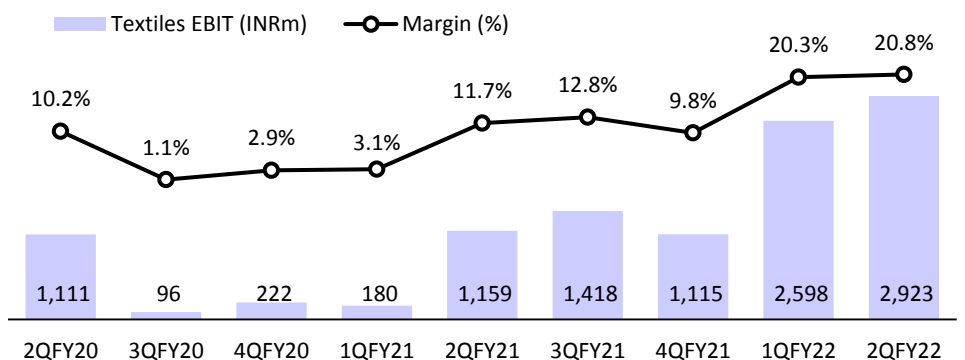
Source: Company, MOSL

Exhibit 4: Textiles – revenue trend



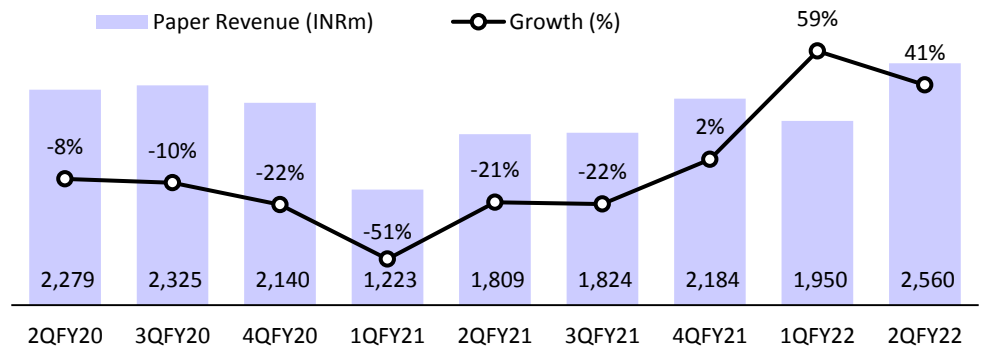
Source: Company, MOSL

Exhibit 5: Textiles – EBIT and EBIT margin trend



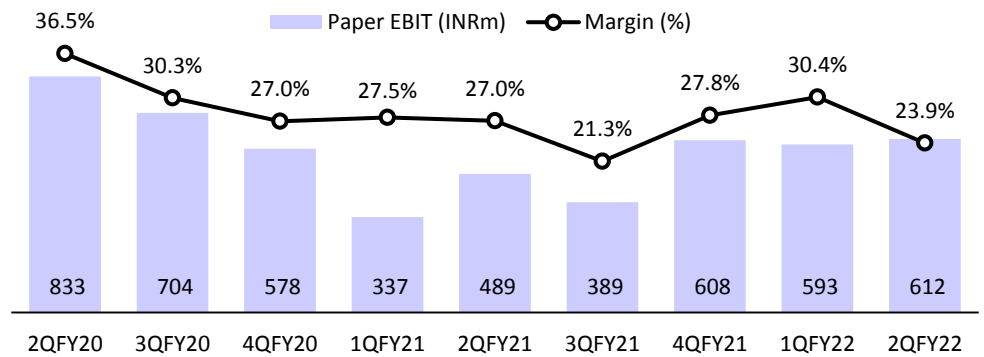
Source: Company, MOSL

Exhibit 6: Paper – revenue trend



Source: Company, MOSL

Exhibit 7: Paper – EBIT and EBIT margin trend



Source: Company, MOSL



Key takeaways from the management interaction

Textile and Apparel industry

- The industry was significantly impacted during the first and second COVID wave. With a decrease in the number of active cases and a smooth vaccination drive, support from various government initiatives, and robust demand globally, the industry is on a revival path and to some extent it already has.
- The main concern that may impact stability is uncertainty with respect to a third COVID wave. This, coupled with a shortage of containers, is leading to higher freight cost. The industry is expected to do well globally in the future.

Home Textile

- The US and Europe are major importers of Home Textile products globally. Since people could not celebrate festivals last year due to COVID-related lockdown restrictions, a lot of pent-up demand is being witnessed for the upcoming festive season globally. This has led to strong demand in 3Q and in 4QFY22 as well. Increased global awareness on health and hygiene and working from home is the growth drivers for Home Textile products as home décor are the new 'global favorite.'
- Huge demand has resulted in excessive pressure on Logistics. Exporters are facing a shortage of containers to ship products, which has led to a spike in Logistics cost.
- Going forward, the sector is expected to perform well, with government support in terms of an extension of RoSCTL benefits till Mar'24. This is expected to provide stability and ensure competitiveness of Indian products globally.
- As per OTEXA data, India's market share in US cotton sheets has increased to 59% from Jan-Aug'21, whereas China and Pakistan have collectively lost ~3% (as compared to the same period last year). In the Terry Towel segment, India's share has risen by 200bp to 44% in CY21 till date (v/s 42% in CY20), while China's share fell by 200bp.

Paper

- Demand was affected due to the closure of schools and colleges due to the COVID-19 outbreak. However, with the opening of schools and colleges, demand is expected to rebound in 3QFY22.
- Demand for writing and printing Paper is majorly dependent on the Education sector, which is recovering and is expected to normalize in 3QFY22.
- Demand and supply has taken a hit in recent times. At present, global consumption is low. However, Paper volumes as well as realizations are expected to improve in upcoming quarters.

Cotton outlook

- The Cotton Association of India (CAI) has lowered its final crop estimate for the current season by 1.5 lakh bales to 353 lakh bales in Oct'21.
- It estimates a total supply of 488 lakh bales for the entire cotton season, including opening stock of 125 lakh bales.
- Imports have been estimated to be ~10 lakh bales for the crop season.
- CAI has estimated domestic consumption for the entire crop year up to Sept'21 to be 335 lakh bales, an increase of five lakh bales.
- It has increased its export estimate for the season by one lakh bales to 78 lakh bales. The cotton export figure arrived by CAI is higher by 28 lakh bales from its FY21 estimate of 50 lakh bales.
- The US ban on products manufactured from cotton sourced from China's Xinjiang region (given that one-fifth of the world's cotton comes from that region) will impact cotton prices going forward. Additional pressure may be faced by other cotton supplying countries.

Vision 2025

- The management aims to achieve Vision CY25 by enhancing its existing production capacities and via diversification into new businesses. Three yarn projects were proposed to be implemented, but due to the COVID-19 outbreak, it decided to go ahead with implementation of a single phase, with 61,440 spindles and 480 rotors, at a cost of INR3.4b. The yarn produced would be sold in the market and utilized as raw material for manufacturing bath and bed linen.
- Another spinning project, with ~0.1m spindles, at Budhni is being undertaken at a cost of INR5.5b to enhance its yarn capacity. The open end spinning project, with ~3,600 proposed rotors, at Budhni is expected to cost INR1.8b.
- The management plans to debottleneck its sheeting plant, with a capacity of 70,000 meters/day, at Budhni at a cost of INR4.7b.

Other highlights

- **Capital requirement:** Cash and cash equivalents are expected to meet the company's short-term obligations and assist in working capital and capex plans. The management plans to raise capital through debt and equity components.
- **Growth drivers:** The domestic Textile and Apparel industry is in a sweet spot and is expected to benefit from: 1) a competitive advantage in raw material (better traceability of cotton); 2) an integrated supply chain, which results in a reduction in supply lead time; 3) increasing market share in the global market, specifically in the US; and 4) government reinstating of RoSCTL, RoDTEP, and mega textile park schemes.
- **FTAs:** The GoI is trying to conclude FTA agreements with the EU that will benefit the entire industry and particularly large Home Textile players (like TRID).
- **Debt repayment:** The management has taken several initiatives to pare down its debt, including prepayments of high-cost loans, reduction in working capital through retention of cash accruals, other measures to reduce the CTC cycle, and build up its cash reserves. Net debt fell to INR10.4b as of Sep'21 (v/s INR12.3 as of Jun'21).

Valuation and view

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- We value TRID at 19x FY24E EPS to arrive at our TP of INR47. We maintain our **Buy** rating.

Exhibit 8: Change in estimates

Earnings change (INR m)	Old			New			Change		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
Revenue	63,859	68,724	75,606	64,492	70,194	77,997	1%	2%	3%
EBITDA	15,698	15,934	17,718	15,745	16,992	19,773	0%	7%	12%
Adjusted PAT	8,478	8,817	9,871	8,564	9,821	12,043	1%	11%	22%

Source: MOFSL

Financials and valuations

Consolidated Income Statement							(INR m)		
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Total Income from Operations	36,657	46,252	45,594	52,486	47,277	45,306	64,492	70,194	77,997
Change (%)	-2.4	26.2	-1.4	15.1	-9.9	-4.2	42.3	8.8	11.1
Total Expenditure	29,359	37,397	37,402	41,931	38,979	37,134	48,747	53,202	58,224
As a percentage of Sales	80.1	80.9	82.0	79.9	82.4	82.0	75.6	75.8	74.6
EBITDA	7,297	8,855	8,192	10,555	8,298	8,172	15,745	16,992	19,773
Margin (%)	19.9	19.1	18.0	20.1	17.6	18.0	24.4	24.2	25.4
Depreciation	3,366	4,125	4,041	3,640	3,337	3,369	3,581	3,701	4,061
EBIT	3,931	4,730	4,151	6,915	4,961	4,804	12,164	13,291	15,712
Int. and Finance Charges	1,452	1,410	1,182	1,185	1,109	721	909	657	554
Other Income	334	1,062	621	434	202	161	221	491	936
PBT bef. EO Exp.	2,813	4,382	3,590	6,165	4,055	4,244	11,476	13,125	16,094
EO Items	0	0	-321	666	-192	265	-116	0	0
PBT after EO Exp.	2,813	4,382	3,911	5,499	4,246	3,978	11,592	13,125	16,094
Total Tax	392	1,016	1,256	1,784	813	941	2,913	3,304	4,051
Tax Rate (%)	13.9	23.2	32.1	32.4	19.2	23.6	25.1	25.2	25.2
Share of profit/(loss) of associates	0	7	6	2	-36	6	0	0	0
Reported PAT	2,421	3,372	2,661	3,718	3,397	3,044	8,679	9,821	12,043
Adjusted PAT	2,421	3,372	2,341	4,383	3,205	3,309	8,564	9,821	12,043
Change (%)	105.4	39.3	-30.6	87.3	-26.9	3.2	158.8	14.7	22.6
Margin (%)	6.6	7.3	5.1	8.4	6.8	7.3	13.3	14.0	15.4

Consolidated Balance Sheet							(INR m)		
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	5,094	4,979	4,978	4,981	4,979	5,096	5,096	5,096	5,096
Total Reserves	19,267	22,590	24,436	24,749	25,235	28,187	35,998	44,838	55,677
Net Worth	24,361	27,569	29,415	29,730	30,214	33,283	41,094	49,934	60,773
Total Loans	34,427	28,498	28,192	24,360	19,518	15,355	16,856	11,856	8,856
Deferred Tax Liabilities	1,582	2,952	3,401	4,079	3,366	3,203	3,203	3,203	3,203
Capital Employed	60,369	59,018	61,007	58,169	53,098	51,842	61,154	64,993	72,832
Gross Block	70,262	51,085	52,484	52,301	54,464	58,937	61,437	61,937	75,707
Less: Accum. Deprn.	23,331	7,637	11,784	15,135	18,345	21,567	25,149	28,850	32,910
Net Fixed Assets	46,930	43,448	40,700	37,166	36,119	37,370	36,289	33,087	42,797
Capital WIP	615	1,232	1,766	1,318	1,408	571	3,514	8,333	571
Current Investments	1	49	109	669	0	0	0	3,500	3,500
Total Investments	723	1,054	1,152	1,982	1,276	14	14	3,514	7,014
Curr. Assets, Loans, and Adv.	17,025	16,480	20,167	21,095	18,960	19,761	28,773	27,774	31,010
Inventory	9,065	7,747	9,226	10,121	9,164	10,230	13,605	14,423	15,599
Account Receivables	2,513	3,751	4,604	6,577	2,754	4,487	6,184	6,154	6,411
Cash and Bank Balance	819	1,326	1,666	257	3,379	1,186	3,825	2,634	3,541
Loans and Advances	4,627	3,656	4,671	4,141	3,664	3,859	5,159	4,563	5,460
Curr. Liability and Prov.	4,924	3,196	2,777	3,392	4,666	5,875	7,436	7,715	8,561
Account Payables	2,237	1,730	1,690	1,866	2,023	2,985	3,329	3,246	3,594
Other Current Liabilities	2,539	1,259	947	1,333	2,430	2,667	3,870	4,212	4,680
Provisions	148	207	139	193	213	223	237	258	287
Net Current Assets	12,101	13,284	17,390	17,703	14,294	13,886	21,338	20,058	22,450
Appl. of Funds	60,369	59,018	61,007	58,169	53,098	51,842	61,154	64,993	72,832

Financials and valuations

Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Basic (INR)									
EPS	0.5	0.7	0.5	0.9	0.6	0.7	1.7	2.0	2.4
Cash EPS	1.2	1.5	1.3	1.6	1.3	1.3	2.4	2.7	3.2
BV/Share	4.9	5.5	5.9	6.0	6.1	6.7	8.3	10.0	12.2
DPS	0.1	0.2	0.1	0.0	0.0	0.0	0.2	0.2	0.2
Payout (%)	22.6	27.1	33.8	4.8	6.4	5.9	10.0	10.0	10.0
Valuation (x)									
P/E	83.4	59.9	86.3	46.1	63.0	61.0	23.6	20.6	16.8
Cash P/E	34.9	26.9	31.6	25.2	30.9	30.2	16.6	14.9	12.5
P/BV	8.3	7.3	6.9	6.8	6.7	6.1	4.9	4.0	3.3
EV/Sales	6.4	5.0	5.0	4.3	4.6	4.8	3.3	3.0	2.7
EV/EBITDA	32.3	25.9	27.9	21.4	26.3	26.4	13.7	12.4	10.5
Dividend Yield (%)	0.2	0.4	0.4	0.1	0.1	0.1	0.4	0.5	0.6
FCF per share	-1.2	1.7	0.5	1.5	2.0	0.2	0.6	1.8	1.8
Return Ratios (%)									
RoE	10.4	13.0	8.2	14.8	10.7	10.4	23.0	21.6	21.8
RoCE	6.8	7.7	5.7	8.9	8.0	7.7	17.4	17.2	19.0
RoIC	6.4	6.4	5.0	8.4	7.9	7.6	17.5	19.1	21.0
Working Capital Ratios									
Fixed Asset Turnover (x)	0.5	0.9	0.9	1.0	0.9	0.8	1.0	1.1	1.0
Asset Turnover (x)	0.6	0.8	0.7	0.9	0.9	0.9	1.1	1.1	1.1
Inventory (Days)	191	127	148	152	156	185	180	178	174
Debtor (Days)	25	30	37	46	21	36	35	32	30
Creditor (Days)	47	28	27	28	34	54	44	40	40
Leverage Ratio (x)									
Current Ratio	3.5	5.2	7.3	6.2	4.1	3.4	3.9	3.6	3.6
Interest Coverage Ratio	2.7	3.4	3.5	5.8	4.5	6.7	13.4	20.2	28.4
Net Debt/Equity	1.4	1.0	0.9	0.8	0.5	0.4	0.3	0.1	0.0

Consolidated Cash Flow Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
OP/(Loss) before Tax	2,766	4,388	3,590	5,499	4,246	3,978	11,592	13,125	16,094
Depreciation	3,376	4,125	4,041	3,640	3,337	3,369	3,581	3,701	4,061
Interest and Finance Charges	1,230	1,300	1,095	1,185	1,109	721	909	657	554
Direct Taxes Paid	-600	-860	-909	-1,784	-813	-941	-2,913	-3,304	-4,051
(Inc.)/Dec. in WC	-1,424	1,243	-3,017	-1,721	4,258	-2,546	-4,813	88	-1,484
CF from Operations	5,348	10,196	4,799	6,819	12,137	4,581	8,356	14,268	15,173
Others	-60	-200	-364	0	0	0	0	0	0
CF from Operations incl. EO	5,288	9,996	4,435	6,819	12,137	4,581	8,356	14,268	15,173
(Inc.)/Dec. in FA	-11,214	-1,467	-2,019	630	-2,254	-3,636	-5,443	-5,320	-6,008
Free Cash Flow	-5,926	8,529	2,416	7,449	9,883	945	2,914	8,948	9,165
(Pur.)/Sale of Investments	-250	-193	-10	-831	706	1,262	0	-3,500	-3,500
Others	132	-15	150	0	1,248	971	0	0	0
CF from Investments	-11,332	-1,675	-1,879	-200	-300	-1,403	-5,443	-8,820	-9,508
Issue of Shares	611	87	0	3	-2	117	0	0	0
Inc./(Dec.) in Debt	7,809	-5,858	-537	-3,832	-4,842	-4,163	1,501	-5,000	-3,000
Interest Paid	-1,367	-1,398	-1,224	-1,185	-1,109	-721	-909	-657	-554
Dividend Paid	-360	-915	-920	-180	-218	-179	-868	-982	-1,204
Others	0	270	465	-2,833	-2,545	-425	0	0	0
CF from Fin. Activity	6,694	-7,814	-2,217	-8,027	-8,715	-5,372	-275	-6,639	-4,758
Inc./Dec. in Cash	649	507	339	-1,408	3,122	-2,193	2,639	-1,191	907
Opening Balance	170	819	1,326	1,666	257	3,379	1,186	3,825	2,634
Closing Balance	819	1,326	1,666	257	3,379	1,186	3,825	2,634	3,541

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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