

Leveraging backward integration to fuel future earnings growth

Trident reported consol. EBITDA of INR2.6bn, lower than JMfe of 2.8bn primarily on account of higher input costs. Revenue from home-textile segment increased 5% QoQ while paper and chemicals segment increased 4.5% QoQ. Textile segment reported EBIT margins of 7.3% during the quarter vs 7% during 2Q while margins for the paper and chemicals segment remained flat QoQ to 24% vs 24.1% in 2Q. Consolidated EBITDA margins came in at 14.3% vs 2Q margin of 13.4% tracking lower other expense. Net debt increased by ~22% QoQ to INR14.6bn. W.r.t to its earlier announced capex plan a) company has operationalized ~95k spindles during 3Q out of total proposed addition of 193k spindles. Structural drivers of increased market share in the US, US ban on Xinjiang imports, duty reimbursement by GOI and market share gain on China+1 theme are likely to drive earnings going forward. Further, FTAs with UK/EU over time could likely increase the addressable market size, possibly leading to further re-rating. Maintain BUY (refer exhi. 4).

- Textile margins improve marginally:** Revenue from Textiles registered a growth of 5% QoQ (up 79.3% YoY) to INR19.3bn. Textile segment reported an EBIT of INR1.4bn as against an EBIT of INR1.3bn in 2Q. Revenue from Paper and Chemicals grew 4.5% QoQ (-9.6% YoY) at INR3bn. EBIT margin remained flat QoQ (-747bps YoY) to 24%. Paper and chemical EBIT increased by 4.3% QoQ to INR0.7bn. Consol. revenue grew 2% QoQ to INR18.3bn (est. INR18.9bn). EBITDA margin increased 90bps to 14.3%. Net debt increased by 21.8% QoQ to INR14.6bn vs ~INR12bn in 2QFY24.
- Restructuring of board to empower professional management:** Trident previously announced restructuring of Company's Board to empower professional management amidst decision of Mr Rajinder Gupta (Founder and Chairman) to step down due to health issues and family commitments. The company appointed five professional managing directors to enhance empowerment, drive strategy and catapult growth of each of the business segments. Further, the board appointed Mr. Rajinder Gupta as 'Chairman Emeritus' of the Company. Further company recently appointed Mr. Deepak Singhal as CEO of Paper and Chemical division.
- Planned capex on-track, new patent in bed sheet division:** The Company is progressing well on its capex plan which includes a) plan worth INR12.8bn towards 193k spindles of which ~95k spindles operationalized during 3Q. Further company recently has been granted patent for its "fitted sheet with improved gripping effect". The current innovation entails a technique for manufacturing a fitted sheet that offers improved corner grip to accommodate mattresses of different thicknesses. With this patent, the company will deliver its Technofit technology which provides enhanced gripping, prevents seam ear, and do not deteriorate even after several washes.

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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	36
Upside/(Downside)	-15.0%
Previous Price Target	37
Change	-2.5%

Key Data – TRID IN

Current Market Price	INR42
Market cap (bn)	INR216.3/US\$2.6
Free Float	24%
Shares in issue (mn)	5,096.0
Diluted share (mn)	5,096.0
3-mon avg daily val (mn)	INR1,804.2/US\$21.7
52-week range	53/25
Sensex/Nifty	71,555/21,743
INR/US\$	83.0

Price Performance

%	1M	6M	12M
Absolute	-10.6	29.0	33.3
Relative*	-9.4	17.8	12.6

* To the BSE Sensex

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Financial Summary					(INR mn)
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	69,977	63,323	67,654	78,195	87,477
Sales Growth (%)	54.5	-9.5	6.8	15.6	11.9
EBITDA	15,123	9,467	9,963	11,136	13,992
EBITDA Margin (%)	21.6	15.0	14.7	14.2	16.0
Adjusted Net Profit	8,338	4,416	4,213	4,950	6,947
Diluted EPS (INR)	1.6	0.9	0.8	1.0	1.4
Diluted EPS Growth (%)	148.0	-47.0	-4.6	17.5	40.4
ROIC (%)	17.8	9.3	8.4	8.7	11.2
ROE (%)	23.2	11.0	9.6	10.4	13.1
P/E (x)	25.7	48.5	50.8	43.2	30.8
P/B (x)	5.6	5.1	4.7	4.3	3.8
EV/EBITDA (x)	15.0	23.7	22.8	20.4	16.0
Dividend Yield (%)	0.9	0.9	0.2	0.2	0.2

Source: Company data, JM Financial. Note: Valuations as of 13/Feb/2024

Exhibit 1. Consolidated financial performance (INR mn)

(INR mn)	3QFY24	3QFY24E	% Var	3QFY23	YoY %	2QFY24	QoQ %
Net Sales	18,353	18,877	-2.8	16,414	11.8	17,975	2.1
Expenditure	15,721	16,045	-2.0	13,670	15.0	15,573	1.0
Raw materials	9,278	7,125	30.2	8,423	10.2	9,188	1.0
Gross margin (%)	49.5	62.3		48.7		48.9	
Staff cost	2,352	1,915	22.8	1,717	36.9	2,165	8.6
Other expenses	4,092	7,005	-41.6	3,530	15.9	4,219	-3.0
EBITDA	2,632	2,831	-7.0	2,745	-4.1	2,403	9.5
EBITDA (%)	14.3	15.0		16.7		13.4	
Other income	138	150		73		144	
Depreciation	904	900	0.4	784	15.3	894	1.1
EBIT	1,866	2,081	-10.4	2,033	-8.2	1,653	12.9
Interest	402	350		186	116.1	350	14.9
PBT	1,463	1,731		1,847	-20.8	1,303	12.3
Tax	370	434		415		401	
Eff. Tax rate (%)	25.3	25.1		22.5		30.8	
XO items	-	-		-		2	
Share in profit/(loss) of associates	-	6		10		-	
PAT- Reported	1,093	1,303		1,442	-24.2	903	21.0
PAT- Adjusted	1,093	1,303	-16.1	1,442	-24.2	902	21.2
Diluted EPS (INR)	0.22	0.26		0.3	-24.2	0.2	21.2

Source: Company, JM Financial

Exhibit 2. Operational analysis

	3QFY24	3QFY24E	bps Var	3QFY23	YoY %/bps	2QFY24	QoQ %/bps
Gross margin (%)	49.5	62.3	(1,280)	48.7	76	48.9	57
Staff cost as % of rev. (%)	12.8	10.1	267	10.5	235	12.0	77
Other exp. as % of rev. (%)	22.3	37.1	(1,481)	21.5	79	23.5	(117)
Currency (INR/USD)	76.5	76.5		82.1	(6.8)	82.7	-7.5

Source: Company, JM Financial

Exhibit 3. Segmental details (INR mn)

(Rs mn)	3QFY24	3QFY23	YoY %	2QFY24	QoQ %
Home textile:					
Revenue	19,322	10,775	79.3	18,395	5.0
EBITDA	1,405	(196)	-815.5	1,292	8.8
EBITDA (%)	7.3%	-1.8%		7.0%	
Paper & Chemical:					
Revenue	3089	3419	-9.6	2,957	4.5
EBITDA	742	1,077	-31.1	712	4.3
EBITDA (%)	24.0%	31.5%		24.1%	

Source: JM Financial

Exhibit 4. Target price

	FY26E
EPS (INR)	1.4
P/E multiple	25
Fair value (INR/share)	36

Source: JM Financial

Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	69,977	63,323	67,654	78,195	87,477	
Sales Growth	54.5%	-9.5%	6.8%	15.6%	11.9%	
Other Operating Income	0	0	0	0	0	
Total Revenue	69,977	63,323	67,654	78,195	87,477	
Cost of Goods Sold/Op. Exp	33,437	33,755	38,382	46,249	49,132	
Personnel Cost	6,695	6,504	7,386	8,110	9,268	
Other Expenses	14,721	13,597	11,924	12,700	15,085	
EBITDA	15,123	9,467	9,963	11,136	13,992	
EBITDA Margin	21.6%	15.0%	14.7%	14.2%	16.0%	
EBITDA Growth	83.8%	-37.4%	5.2%	11.8%	25.6%	
Depn. & Amort.	3,328	3,128	3,791	4,160	4,481	
EBIT	11,795	6,339	6,172	6,976	9,511	
Other Income	226	244	531	631	631	
Finance Cost	862	796	1,156	1,097	1,010	
PBT before Excep. & Forex	11,159	5,787	5,547	6,510	9,132	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	11,159	5,787	5,547	6,510	9,132	
Taxes	2,827	1,375	1,334	1,560	2,185	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	6	4	0	0	0	
Reported Net Profit	8,338	4,416	4,213	4,950	6,947	
Adjusted Net Profit	8,338	4,416	4,213	4,950	6,947	
Net Margin	11.9%	7.0%	6.2%	6.3%	7.9%	
Diluted Share Cap. (mn)	5,096.0	5,096.0	5,096.0	5,096.0	5,096.0	
Diluted EPS (INR)	1.6	0.9	0.8	1.0	1.4	
Diluted EPS Growth	148.0%	-47.0%	-4.6%	17.5%	40.4%	
Total Dividend + Tax	2,208	2,208	613	613	613	
Dividend Per Share (INR)	0.4	0.4	0.1	0.1	0.1	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	38,447	41,942	45,541	49,877	56,211	
Share Capital	5,096	5,096	5,096	5,096	5,096	
Reserves & Surplus	33,351	36,846	40,445	44,781	51,115	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	15,967	14,422	16,922	14,922	13,422	
Def. Tax Liab. / Assets (-)	3,034	3,018	3,018	3,018	3,018	
Total - Equity & Liab.	57,448	59,381	65,480	67,817	72,651	
Net Fixed Assets	37,961	44,625	49,935	51,775	53,294	
Gross Fixed Assets	62,339	69,283	78,383	84,383	90,383	
Intangible Assets	0	0	0	0	0	
Less: Depn. & Amort.	25,212	28,340	32,131	36,290	40,771	
Capital WIP	834	3,682	3,682	3,682	3,682	
Investments	18	5	5	5	5	
Current Assets	26,913	23,657	22,890	24,028	27,782	
Inventories	13,144	10,818	11,490	13,222	14,748	
Sundry Debtors	5,253	2,765	2,982	3,445	3,851	
Cash & Bank Balances	2,925	3,650	3,703	1,923	3,109	
Loans & Advances	5,592	6,424	4,715	5,437	6,073	
Other Current Assets	0	0	0	0	0	
Current Liab. & Prov.	7,443	8,906	7,349	7,991	8,431	
Current Liabilities	4,606	5,402	3,844	4,486	4,926	
Provisions & Others	2,837	3,505	3,505	3,505	3,505	
Net Current Assets	19,470	14,751	15,541	16,037	19,351	
Total - Assets	57,448	59,381	65,480	67,817	72,651	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	11,165	5,791	5,547	6,510	9,132	
Depn. & Amort.	3,328	3,128	3,791	4,160	4,481	
Net Interest Exp. / Inc. (-)	0	0	0	0	0	
Inc (-) / Dec in WCcap.	-3,522	5,444	-737	-2,275	-2,128	
Others	0	0	0	0	0	
Taxes Paid	-2,827	-1,375	-1,334	-1,560	-2,185	
Operating Cash Flow	8,143	12,988	7,266	6,834	9,299	
Capex	-3,619	-9,792	-9,100	-6,000	-6,000	
Free Cash Flow	4,524	3,195	-1,834	834	3,299	
Inc (-) / Dec in Investments	-4	13	0	0	0	
Others	-1,498	896	0	0	0	
Investing Cash Flow	-5,121	-8,883	-9,100	-6,000	-6,000	
Inc / Dec (-) in Capital	0	0	0	0	0	
Dividend + Tax thereon	-1,835	-1,835	-613	-613	-613	
Inc / Dec (-) in Loans	551	-1,545	2,500	-2,000	-1,500	
Others	0	0	0	0	0	
Financing Cash Flow	-1,283	-3,380	1,887	-2,613	-2,113	
Inc / Dec (-) in Cash	1,739	725	53	-1,779	1,186	
Opening Cash Balance	1,186	2,925	3,650	3,703	1,923	
Closing Cash Balance	2,925	3,650	3,703	1,923	3,109	

Source: Company, JM Financial

Dupont Analysis		FY22A	FY23A	FY24E	FY25E	FY26E
Y/E March						
Net Margin		11.9%	7.0%	6.2%	6.3%	7.9%
Asset Turnover (x)		1.1	1.0	1.0	1.1	1.1
Leverage Factor (x)		1.7	1.7	1.6	1.6	1.5
RoE		23.2%	11.0%	9.6%	10.4%	13.1%

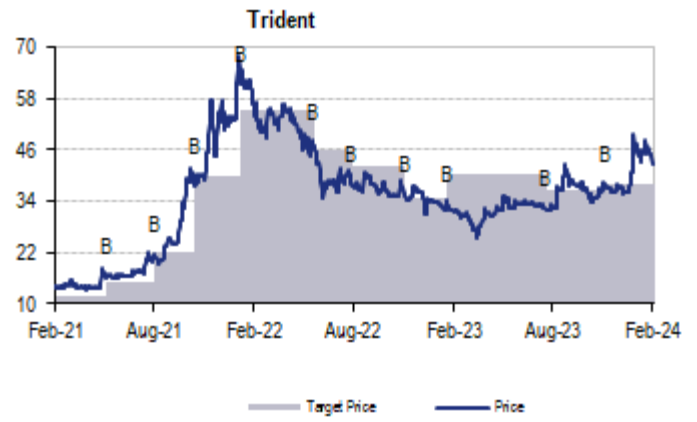
Key Ratios		FY22A	FY23A	FY24E	FY25E	FY26E
Y/E March						
BV/Share (INR)		7.5	8.2	8.9	9.8	11.0
ROIC		17.8%	9.3%	8.4%	8.7%	11.2%
ROE		23.2%	11.0%	9.6%	10.4%	13.1%
Net Debt/Equity (x)		0.3	0.3	0.3	0.3	0.2
P/E (x)		25.7	48.5	50.8	43.2	30.8
P/B (x)		5.6	5.1	4.7	4.3	3.8
EV/EBITDA (x)		15.0	23.7	22.8	20.4	16.0
EV/Sales (x)		3.2	3.6	3.4	2.9	2.6
Debtor days		27	16	16	16	16
Inventory days		69	62	62	62	62
Creditor days		31	37	24	24	24

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
30-Jan-20	Buy	10	
20-May-20	Buy	6	-38.1
20-Jul-20	Buy	8	33.3
15-Oct-20	Buy	10	25.0
19-Jan-21	Buy	12	20.0
17-May-21	Buy	15	25.0
13-Aug-21	Buy	22	46.7
26-Oct-21	Buy	40	81.8
19-Jan-22	Buy	55	37.5
31-May-22	Buy	46	-16.4
10-Aug-22	Buy	42	-8.7
15-Nov-22	Buy	35	-17.3
1-Feb-23	Buy	40	16.5
31-Jul-23	Buy	37	-9.5
16-Nov-23	Buy	38	3.4

Recommendation History



APPENDIX I

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Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
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