

Estimate change

TP change

Rating change



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Bloomberg	TRID IN
Equity Shares (m)	4,978
M.Cap.(INRb)/(USDb)	238.7 / 3.1
52-Week Range (INR)	71 / 16
1, 6, 12 Rel. Per (%)	-7/4/185
12M Avg Val (INR M)	810

Financials & Valuations (INR b)

Y/E Mar	2022	2023E	2024E
Sales	70.0	77.3	84.9
EBITDA	14.9	16.5	20.4
PAT	8.1	9.4	12.5
EBITDA (%)	16.5	16.9	19.4
EPS (INR)	1.6	1.9	2.5
EPS Gr. (%)	145.2	15.9	33.3
BV/Sh. (INR)	7.7	9.6	12.0
Ratios			
Net D/E	0.3	0.2	0.1
RoE (%)	22.6	21.9	23.4
RoCE (%)	17.1	17.0	19.0
Payout (%)	2.1	3.0	4.0
Valuations			
P/E (x)	28.9	24.9	18.7
EV/EBITDA (x)	16.6	15.1	12.0
Div Yield (%)	0.1	0.1	0.2
FCF Yield (%)	2.7	1.1	3.9

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	37.0	37.0	37.0
DII	13.4	12.5	10.3
FII	28.3	28.9	29.9
Others	21.2	21.6	22.8

CMP: INR47
TP: INR58 (+24%)
Buy

Textile margin to remain under pressure in the near term

In line operating performance

- TRID reported a strong revenue growth, led by the Home Textiles and Paper segment. EBITDA margin was marginally higher (30bp), led by better operating performance in the Home Textiles segment, while Paper margin was a laggard. We expect the demand trend in the US market for Home Textiles to remain under pressure in the near term.
- We cut our FY23/FY24 EBITDA estimate by 10%/9% to factor in input cost pressures in the Textile business. We reduce our TP to INR58/share and maintain our **Buy** rating.

Textile driving operating performance

- Revenue grew 37% YoY to INR18.5b (est. INR18.2b). EBITDA margin expanded by 30bp to 17.1%, despite a 840bp contraction in gross margin (to 45.7%), offset by a 440bp/420bp YoY decline in employee/other expenses as a percentage of sales. EBITDA, adjusted for a forex gain, stood at INR3.2b, up 39% YoY. Adjusted PAT grew 66% YoY to INR1.6b.
- Revenue from Textiles rose 39% YoY (down 8% QoQ) to INR15.7b, with EBIT margin expanding by 500bp YoY (down 200bp QoQ) to 14.8%. Textile EBIT surged 2.1x YoY (down 19% QoQ) to INR2.3b. Capacity utilization in the Sheeting/Towel business stood at 80%/46% in 4QFY22.
- The Home Textile segment registered a revenue growth of 10% YoY, driven by higher realization, while volume fell 25%/13% YoY in the Bath/Bed Linen segment to 10,322MT/8.68m meters. Yarn revenue grew 2.1x YoY to INR6.7b, with a volume growth of 9% YoY to 29,953MT.
- Revenue from Paper and Chemicals grew 27% YoY and 10% QoQ to INR2.8b. EBIT margin contracted by 640bp YoY and 160bp QoQ to 21.4%. Paper EBIT declined marginally by 2% YoY (+2% QoQ) to INR594m. Capacity utilization in the Paper segment stood at 89% v/s 92% in 4QFY21.
- Revenue/EBITDA/PAT grew by 55%/82%/2.5x YoY to INR70b/INR14.9b/INR8.1b in FY22. CFO came in at INR9.1b v/s INR5b in FY21.

Key takeaways from the management interaction

- Market share:** As per OTEXA data, India's market share in US cotton sheets has fallen to 50% in Jan-Mar'22 (from 57% in CY21), whereas Pakistan/China gained ~5pp/4pp over the same period. In the Terry Towel segment, India's share has fallen by 400bp to 40% in Jan-Mar'22 (v/s 44% in CY21), while Pakistan/China's share increased by 200bp/100bp.
- Vision 2025:** The company has set three BHAGS (Big, Hairly, Audacious Goals): 1) grow to INR250b by CY25, with a profit of 12% as a business group; 2) make TRID a national brand; and 3) Digital TRID to maneuver through the Industry 4.0 journey.
- Capex:** In the Yarn segment, the management has proposed a capacity addition of 98,496 spindles and 3,600 rotors. In the Sheeting division, it is adding an additional capacity of 70,000 meters/day. The management has

guided at a total capex of INR13.8b for the above-mentioned capacity expansion, which is expected to be completed by Sep'23. The company will fund this expansion via a combination of debt and equity

Valuation and view

- We expect gross margin pressures to sustain till the next cotton season. Outlook for the Home Textile business remains positive for the long term, even as the short-term risk to margin persists.
- We cut our FY23/FY24 EBIDTA estimate by 10%/9%, factoring in input cost pressure.
- We value the stock at 23x FY24E EPS to arrive at our TP of INR58. We maintain our **Buy** rating.

Standalone quarterly earnings

(INR m)

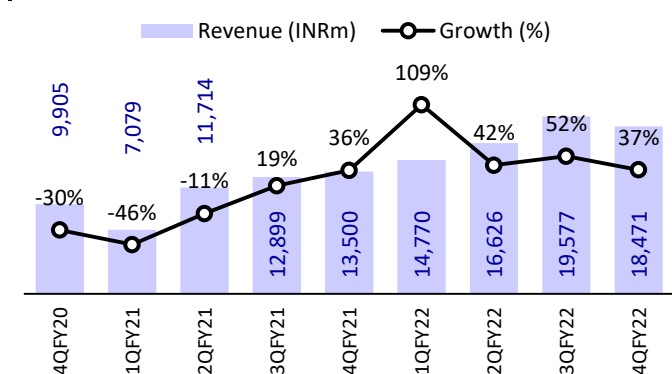
Y/E March	FY21				FY22				FY21	FY22	FY22E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	7,079	11,714	12,899	13,500	14,770	16,626	19,577	18,471	45,193	69,444	18,175	2
YoY Change (%)	-45.8	-11.4	19.3	36.3	108.6	41.9	51.8	36.8	-3.8	53.7	34.6	
Total Expenditure	5,898	9,467	10,545	11,229	11,036	12,651	15,545	15,308	37,139	54,540	14,832	
EBITDA	1,181	2,247	2,355	2,271	3,734	3,975	4,032	3,163	8,054	14,904	3,344	-5
Margin (%)	16.7	19.2	18.3	16.8	25.3	23.9	20.6	17.1	17.8	21.5	18.4	
Depreciation	824	831	830	880	874	867	775	810	3,365	3,326	780	
Interest	231	123	132	234	250	199	224	185	720	857	250	
Other Income	54	32	50	26	29	101	35	59	162	223	32	
PBT before EO expense	181	1,325	1,443	1,184	2,638	3,010	3,067	2,228	4,132	10,944	2,345	
Extra-Ord. expense	0	0	-570	304	0	0	252	0	-266	252	0	
Forex (gain)/loss	49	9	-27	-85	-62	-54	3	-113	-54	-225	0	
PBT	132	1,316	2,040	964	2,700	3,063	2,813	2,341	4,451	10,917	2,345	
Tax	31	313	443	208	665	775	721	605	994	2,767	590	
Rate (%)	23.5	23.8	21.7	21.5	24.6	25.3	25.6	25.9	22.3	25.3	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	2,288	2,091	1,736	3,457	8,150	1,755	-1
Adj. PAT	150	1,012	1,000	976	1,973	2,234	2,346	1,623	3,138	8,176	1,755	-8
YoY Change (%)	-87.7	-24.8	163.5	240.8	1,219.7	120.8	134.5	66.3	-2.7	160.6	79.8	
Margin (%)	2.1	8.6	7.8	7.2	13.4	13.4	12.0	8.8	6.9	11.8	9.7	

Key performance indicators

Y/E March	FY21				FY22				FY21	FY22
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Segmental revenue growth (%)										
Textiles	-44.6	-9.4	30.4	45.7	118.9	42.0	54.0	38.7	1.0	56.3
Paper	-50.7	-20.6	-21.6	2.1	59.4	41.5	38.1	27.0	-23.7	39.2
Cost break-up as a percentage of sales										
RM Cost	44.7	43.5	44.9	45.9	40.5	44.5	49.2	54.3	44.8	47.6
Staff Cost	13.9	12.6	12.7	12.5	11.8	10.0	9.0	8.1	12.8	9.6
Other Cost	24.7	24.7	24.2	24.8	22.4	21.6	21.2	20.6	24.6	21.4
Gross Margin (%)	55.3	56.5	55.1	54.1	59.5	55.5	50.8	45.7	55.2	52.4
EBITDA Margin (%)	16.7	19.2	18.3	16.8	25.3	23.9	20.6	17.1	17.8	21.5
EBIT Margin (%)	5.0	12.1	11.8	10.3	19.4	18.7	16.6	12.7	10.4	16.7

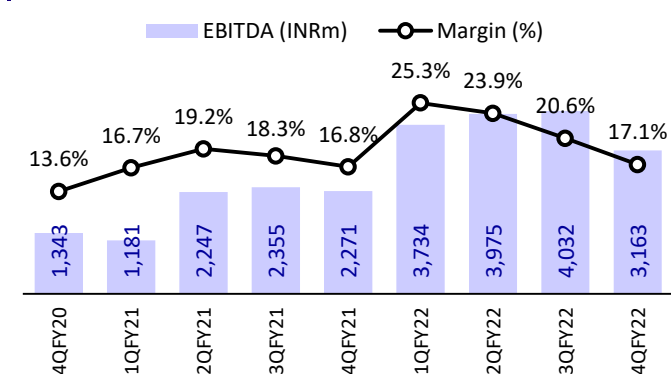
Key exhibits

Exhibit 1: Revenue trend



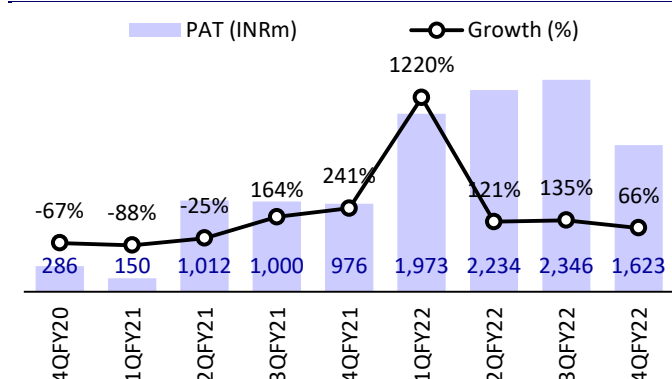
Source: Company, MOFSL

Exhibit 2: EBITDA margin trend



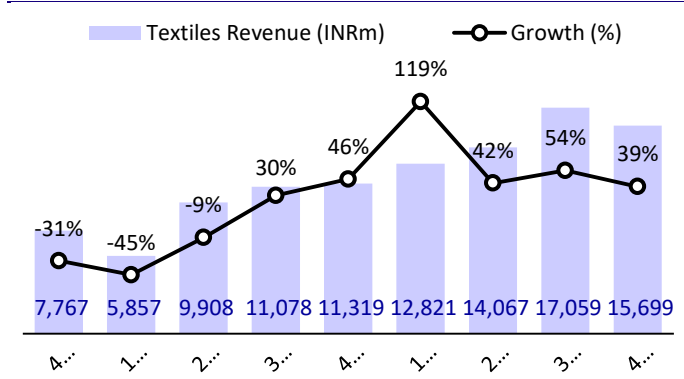
Source: Company, MOFSL

Exhibit 3: Adjusted PAT trend



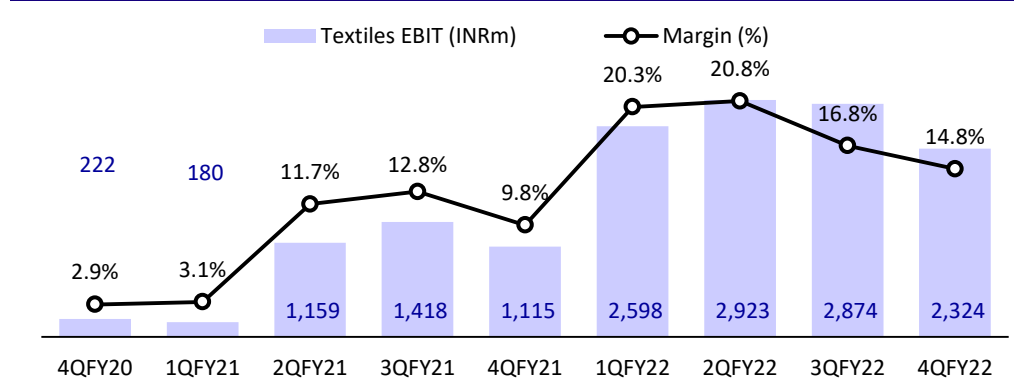
Source: Company, MOFSL

Exhibit 4: Textiles – revenue trend



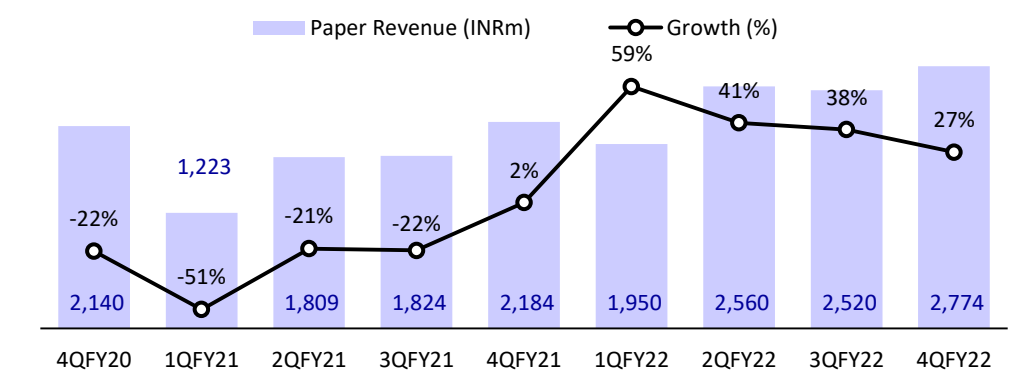
Source: Company, MOFSL

Exhibit 5: Textiles – EBIT and EBIT margin trend



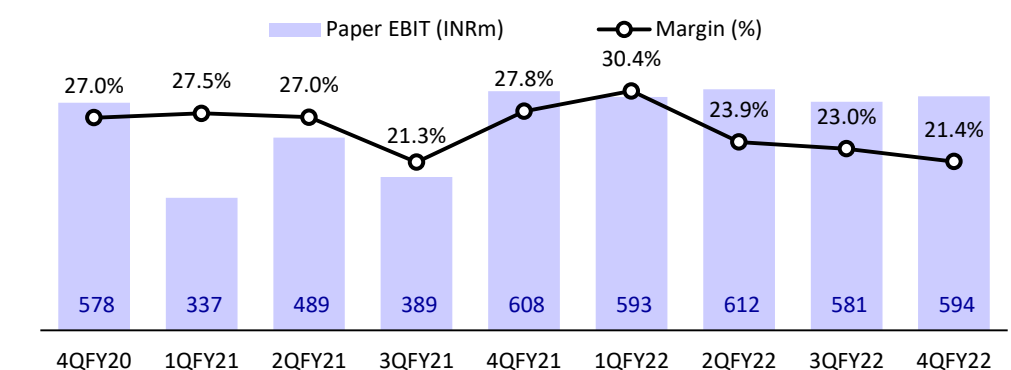
Source: Company, MOFSL

Exhibit 6: Paper – revenue trend



Source: Company, MOFSL

Exhibit 7: Paper – EBIT and EBIT margin trend



Source: Company, MOFSL



Key takeaways from the management interaction

Textile and Apparel industry

- **Market share:** As per OTEXA data, India's market share in US cotton sheets has fallen to 50% in Jan-Mar'22 (from 57% in CY21), whereas Pakistan/China gained ~5pp/4pp over the same period. In the Terry Towel segment, India's share has fallen by 400bp to 40% in Jan-Mar'22 (v/s 44% in CY21), while Pakistan/China's share increased by 200bp/100bp.
- In CY20, the global Textile and Apparel trade stood at USD775b, which was 8% lower compared to CY19, due to the impact of the COVID-19 pandemic. It is expected to reach USD1t by CY25, up 3% CAGR from CY19 levels.
- India's domestic Textile and Apparel market is estimated at USD99b in CY21-22, a 30% recovery from CY20-21 levels. The market is expected to grow at 10% CAGR to touch USD190b by CY25-26 from CY19-20 levels.

Home Textile

- Total capacity in Terry Towels remained constant at 90,000t in FY22. The capacity utilization rate rose to 61% in FY22 from 53% in FY21.
- Its total capacity in Bed Linen remained constant at 43.2m meters. However, capacity utilization rose to 88% in FY22 from 80% in FY21.

Paper

- The company has the highest operating margin among key listed players in India. However, its EBIT margin has fallen to 23.8% in FY22 from 25.9% in FY21.
- In FY22, 60% of revenue in the Paper segment accrued from the non-Copier business, while the balance was from the Copier business.
- Total capacity remained constant at 175t in In FY22. The capacity utilization rate grew to 90% in FY22 from 79% in FY21.

Vision 2025

- The company has set three BHAGS (Big, Hairy, Audacious Goals):
 1. Grow to INR250b by CY25, with a profit of 12% as a business group.
 2. Make TRID a national brand.
 3. Digital TRID: Maneuvering through Industry 4.0 journey.
- To achieve these goals, it is looking to capitalize on the recent growth in retail trends to boost efficiency; simplify and automate processes; diversify, build and grow new businesses through organic and inorganic growth; and incorporate IoT, blockchain, and Digitalization.

ESG

- **On the environment front**, water recovery has touched ~95%, with 2,822m liters of water recovered annually. It has received certification from Carbon Footprint for ~58% lesser emission of Co2/kg in Paper production by using wheat straw instead of wood pulp. The company has installed a 7.6MW DC ground-mounted and 1.35MW roof-mounted Solar Power plant across 29 acres at Budhni (Madhya Pradesh) to reduce coal consumption. It is evaluating a 10MW increase in its rooftop Solar Plant capacity by CY22
- **On the social cause front**, it has revamped its existing facilities. It provides infrastructure and basic facilities to 250 schools and anganwadis. It provides free consultations and medication to over 0.1m people in rural areas.
- **On the governance front**, the company has thrice received national recognition for good corporate governance.

Capex

- In the Yarn segment, the management has proposed a capacity addition of 98,496 spindles and 3,600 rotors.
- In the Sheeting division, it is adding an additional capacity of 70,000 meters/day.
- In Co-Gen, it will add another 16.3MW.
- The management has guided at a total capex of INR13.8b for the above-mentioned capacity expansion, which is expected to be completed by Sep'23. The company will fund this expansion via a combination of debt and equity.

Margin improvement initiatives

- The management has taken the following initiatives to improve margin:
 1. It has shifted to higher retail price point products by focusing on greater thread count sheets and GSM Towels.
 2. It is developing new and innovative products, and leveraging consumer sentiment and behavior to maximize premium.
 3. TRID is catering to the Luxury, Fashion Accents, and Sports segments.
 4. It is increasing capacity utilization of plants via digitization of processes and by adopting lean practices.

Other highlights

Debt repayment: Net debt fell to INR12.97b in FY22 from INR14.23b in FY21. The debt-to-equity ratio declined to 0.34x in FY22 from 0.43x in FY21. The reduction in net debt was on account of an increase in cash and cash equivalents. Gross debt is at similar levels of INR15.7b in FY22 as against INR15.4b in FY21.

Valuation and view

- We expect gross margin pressures to sustain till the next cotton season. Outlook for the Home Textile business remains positive for the long term, even as the short-term risk to margin persists.
- We cut our FY23/FY24 EBIDTA estimate by 10%/9%, factoring in input cost pressure.
- We value the stock at 23x FY24E EPS to arrive at our TP of INR58. We maintain our **Buy** rating.

Exhibit 8: Revisions to our estimates

(INR m)	Old estimate		New estimate		Change	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Revenue	78,895	87,141	77,254	84,905	-2%	-3%
EBITDA	18,434	22,287	16,503	20,367	-10%	-9%
Adj. PAT	11,130	14,292	9,401	12,529	-16%	-12%

Source: MOFSL

Financials and valuations

Consolidated Income Statement

Consolidated Income Statement								(INR m)	
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Total Income from Operations	36,657	46,252	45,594	52,486	47,277	45,306	69,977	77,254	84,905
Change (%)	-2.4	26.2	-1.4	15.1	-9.9	-4.2	54.5	10.4	9.9
Total Expenditure	29,359	37,397	37,402	41,931	38,979	37,134	55,078	60,751	64,537
As a percentage of Sales	80.1	80.9	82.0	79.9	82.4	82.0	78.7	78.6	76.0
EBITDA	7,297	8,855	8,192	10,555	8,298	8,172	14,898	16,503	20,367
Margin (%)	19.9	19.1	18.0	20.1	17.6	18.0	21.3	21.4	24.0
Depreciation	3,366	4,125	4,041	3,640	3,337	3,369	3,328	3,455	3,855
EBIT	3,931	4,730	4,151	6,915	4,961	4,804	11,570	13,048	16,512
Int. and Finance Charges	1,452	1,410	1,182	1,185	1,109	721	862	1,026	958
Other Income	334	1,062	621	434	202	161	226	541	1,189
PBT bef. EO Exp.	2,813	4,382	3,590	6,165	4,055	4,244	10,934	12,563	16,743
EO Items	0	0	-321	666	-192	265	-225	0	0
PBT after EO Exp.	2,813	4,382	3,911	5,499	4,246	3,978	11,159	12,563	16,743
Total Tax	392	1,016	1,256	1,784	813	941	2,827	3,162	4,214
Tax Rate (%)	13.9	23.2	32.1	32.4	19.2	23.6	25.3	25.2	25.2
Share of profit/(loss) of associates	0	7	6	2	-36	6	6	0	0
Reported PAT	2,421	3,372	2,661	3,718	3,397	3,044	8,337	9,401	12,529
Adjusted PAT	2,421	3,372	2,341	4,383	3,205	3,309	8,113	9,401	12,529
Change (%)	105.4	39.3	-30.6	87.3	-26.9	3.2	145.2	15.9	33.3
Margin (%)	6.6	7.3	5.1	8.4	6.8	7.3	11.6	12.2	14.8

Consolidated Balance Sheet

Consolidated Balance Sheet								(INR m)	
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	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	33,351	42,469	54,497
Net Worth	24,361	27,569	29,415	29,730	30,214	33,283	38,447	47,565	59,593
Total Loans	34,427	28,498	28,192	24,360	19,518	15,355	15,706	17,630	14,630
Deferred Tax Liabilities	1,582	2,952	3,401	4,079	3,366	3,203	3,034	3,034	3,034
Capital Employed	60,369	59,018	61,007	58,169	53,098	51,842	57,187	68,229	77,257
Gross Block	70,262	51,085	52,484	52,301	54,464	58,937	61,454	61,954	75,724
Less: Accumulated Depreciation.	23,331	7,637	11,784	15,135	18,345	21,567	24,895	28,351	32,206
Net Fixed Assets	46,930	43,448	40,700	37,166	36,119	37,370	36,559	33,604	43,519
Capital WIP	615	1,232	1,766	1,318	1,408	571	824	9,086	1,324
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	18	3,518	7,018
Current Assets, Loans, and Adv.	17,025	16,480	20,167	21,095	18,960	19,761	27,490	31,430	35,535
Inventory	9,065	7,747	9,226	10,121	9,164	10,230	13,144	15,874	17,446
Account Receivables	2,513	3,751	4,604	6,577	2,754	4,487	5,253	6,773	7,444
Cash and Bank Balance	819	1,326	1,666	257	3,379	1,186	2,925	2,603	3,853
Loans and Advances	4,627	3,656	4,671	4,141	3,664	3,859	6,169	6,180	6,792
Current Liability and Prov.	4,924	3,196	2,777	3,392	4,666	5,875	7,704	9,409	10,139
Account Payables	2,237	1,730	1,690	1,866	2,023	2,985	4,606	4,490	4,733
Other Current Liabilities	2,539	1,259	947	1,333	2,430	2,667	2,901	4,635	5,094
Provisions	148	207	139	193	213	223	197	284	312
Net Current Assets	12,101	13,284	17,390	17,703	14,294	13,886	19,786	22,022	25,396
Appl. of Funds	60,369	59,018	61,007	58,169	53,098	51,842	57,187	68,229	77,257

Financials and valuations

Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)									
EPS	0.5	0.7	0.5	0.9	0.6	0.7	1.6	1.9	2.5
Cash EPS	1.2	1.5	1.3	1.6	1.3	1.3	2.3	2.6	3.3
BV/Share	4.9	5.5	5.9	6.0	6.1	6.7	7.7	9.6	12.0
DPS	0.1	0.2	0.1	0.0	0.0	0.0	0.0	0.1	0.1
Payout (%)	22.6	27.1	33.8	4.8	6.4	5.9	2.1	3.0	4.0
Valuation (x)									
P/E	96.7	69.4	100.0	53.4	73.0	70.8	28.9	24.9	18.7
Cash P/E	40.4	31.2	36.7	29.2	35.8	35.0	20.5	18.2	14.3
P/BV	9.6	8.5	8.0	7.9	7.7	7.0	6.1	4.9	3.9
EV/Sales	7.3	5.6	5.7	4.9	5.3	5.5	3.5	3.2	2.9
EV/EBITDA	36.7	29.5	31.8	24.5	30.1	30.4	16.6	15.1	12.0
Dividend Yield (%)	0.2	0.3	0.3	0.1	0.1	0.1	0.1	0.1	0.2
FCF per share	-1.2	1.7	0.5	1.5	2.0	0.3	1.3	0.5	1.8
Return Ratios (%)									
RoE	10.4	13.0	8.2	14.8	10.7	10.4	22.6	21.9	23.4
RoCE	6.8	7.7	5.7	8.9	8.0	7.7	17.1	17.0	19.0
RoIC	6.4	6.4	5.0	8.4	7.9	7.6	16.7	18.3	20.9
Working Capital Ratios									
Fixed Asset Turnover (x)	0.5	0.9	0.9	1.0	0.9	0.8	1.1	1.2	1.1
Asset Turnover (x)	0.6	0.8	0.7	0.9	0.9	0.9	1.2	1.1	1.1
Inventory (Days)	191	127	148	152	156	185	143	159	166
Debtor (Days)	25	30	37	46	21	36	27	32	32
Creditor (Days)	47	28	27	28	34	54	50	45	45
Leverage Ratio (x)									
Current Ratio	3.5	5.2	7.3	6.2	4.1	3.4	3.6	3.3	3.5
Interest Coverage Ratio	2.7	3.4	3.5	5.8	4.5	6.7	13.4	12.7	17.2
Net Debt/Equity ratio	1.4	1.0	0.9	0.8	0.5	0.4	0.3	0.2	0.1

Consolidated Cash Flow Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	2,766	4,388	3,590	5,499	4,246	3,978	11,159	12,563	16,743
Depreciation	3,376	4,125	4,041	3,640	3,337	3,369	3,328	3,455	3,855
Interest and Finance Charges	1,230	1,300	1,095	1,185	1,109	721	862	1,026	958
Direct Taxes Paid	-600	-860	-909	-1,784	-813	-941	-2,827	-3,162	-4,214
(Inc.)/Dec. in WC	-1,424	1,243	-3,017	-1,721	4,258	-2,136	-3,458	-2,557	-2,125
CF from Operations	5,348	10,196	4,799	6,819	12,137	4,991	9,064	11,325	15,217
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	4,991	9,064	11,325	15,217
(Inc.)/Dec. in FA	-11,214	-1,467	-2,019	630	-2,254	-3,636	-2,770	-8,762	-6,008
Free Cash Flow	-5,926	8,529	2,416	7,449	9,883	1,355	6,294	2,563	9,209
(Pur.)/Sale of Investments	-250	-193	-10	-831	706	1,262	-4	-3,500	-3,500
Others	132	-15	150	0	1,248	884	-721	0	0
CF from Investments	-11,332	-1,675	-1,879	-200	-300	-1,490	-3,495	-12,262	-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	351	1,923	-3,000
Interest Paid	-1,367	-1,398	-1,224	-1,185	-1,109	-721	-862	-1,026	-958
Dividend Paid	-360	-915	-920	-180	-218	-179	-179	-282	-501
Others	0	270	465	-2,833	-2,545	-747	-3,140	0	0
CF from Fin. Activity	6,694	-7,814	-2,217	-8,027	-8,715	-5,694	-3,831	615	-4,459
Inc./Dec. in Cash	649	507	339	-1,408	3,122	-2,193	1,739	-322	1,250
Opening Balance	170	819	1,326	1,666	257	3,379	1,186	2,925	2,603
Closing Balance	819	1,326	1,666	257	3,379	1,186	2,925	2,603	3,853

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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