



HDFC securities

Click. Invest. Grow.

20
YEARS

Initiating Coverage Trident Ltd.

31-October-2020





Industry	LTP	Base Case Fair Value	Bull Case Fair Value	Recommendation	Time Horizon
Textile	Rs. 7.31	Rs.6.65	Rs.7.70	Buy on dips to Rs.5.95 and add more on dips to Rs.4.9	2 quarters

HDFC Scrip Code	TRIDENEQNR
BSE Code	521064
NSE Code	TRIDENT
Bloomberg	TRIDIN:IN
CMP Oct 31, 2020	7.31
Equity Capital (Rs cr)	498
Face Value (Rs)	1
Equity Share O/S (cr)	498
Market Cap (Rs crs)	3640
Book Value (Rs)	6.1
Avg. 52 Wk Volumes	34931792
52 Week High	8.57
52 Week Low	3.05

Share holding Pattern % (Sept, 2020)	
Promoters	71.84
Institutions	2.54
Non Institutions	25.62
Total	100.0

Fundamental Research Analyst

Jimit Zaveri

jimit.zaveri@hdfcsec.com

Our Take:

Trident Ltd. is a diversified company which operates in a cotton yarn, terry towels, bed linen, and paper. As on FY20, 26% of its revenue came from yarn, 54% from bed / bath linen (terry towels) and 20% from paper segment.. Trident is a leading home textile exporters with a bath linen capacity of 90mn kgs, bed linen capacity of 43mn mts and Yarn capacity of 115k MT. Manufacturing processes of the company for both the home textile and paper businesses are backward integrated. Total captive consumption of yarn stands at around 50%. As the operational efficiencies improve, Trident Ltd would be in a better position to improve its performance.

Currently, due to Covid-19 pandemic, there is a strong demand crunch which has resulted in an oversupply across the textile industry. We expect, Covid-19 led lockdown and slowdown in the economy can lead to de-growth in revenues in the near term. The industry has a higher dependence on migrant labour. Labour shortage has impacted capacity utilization and has resulted in higher costs.

Currently, many players are looking at other suppliers other than China origin. India is well-positioned to take that additional growth in the textiles segment. Given the cost advantage, raw material security compared to the peer countries, Indian home textile suppliers enjoy the leadership; Trident could be one of the beneficiaries of the rise in demand from US retailers.

Valuations & Recommendation:

We expect, over the long term, the company will get benefit from its strong long-term experience being a leading player with a fully integrated manufacturing set-up. Covid-19 led lockdown has adversely impacted Q1FY21 and partly Q2FY21 with lower utilization, shortage of labour, an expectation of sharp fall in demand which could lead to 4% CAGR in top-line and 1% EPS CAGR over FY20-22E. We feel the base case fair value of the stock is Rs.6.65 (9.5x FY22E EPS, 5.13x FY22E EV/EBIDTA) and bull case the fair value of the stock is Rs.7.70 (11.0x FY22E EPS, 5.7x FY22E EV/EBITDA). Investors willing to take some risk can look to buy the stock on falls to Rs.5.95 (8.5x FY22E EPS, 4.75x FY22E EV/EBITDA) and add more on dips to Rs. 4.9 (7.0x FY22E EPS, 4.18x FY22E EV/EBITDA). At the CMP of Rs.7.31, the stock quotes at 10.50x FY22E EPS, 5.48x FY22E EV/EBITDA.



Financial Summary

Particulars (Rs cr)	Q2FY21	Q2FY20	YoY-%	Q1FY20	QoQ-%	FY19	FY20	FY21E	FY22E
Net Revenue	1174	1341	-12%	709	66%	5,248.6	4,727.7	4,056.3	5,111.0
EBITDA	230	258	-11%	113	104%	982.9	849.0	689.0	900.0
APAT	106	140	-24%	10	945%	371.6	340	216.1	346.9
Diluted EPS (Rs)	0.21	0.28	-25%	0.02	950%	0.7	0.7	0.4	0.7
RoE-%						12.6	11.5	7.1	10.9
P/E (x)						9.8	10.6	16.8	10.5
EV/EBITDA						5.1	6.0	7.3	5.6

(Source: Company, HDFC sec)

Q2FY21 Result Update

- Revenues of the company degrew by 12% to Rs.1174 cr in Q2FY21. At the net level, it reported PAT of Rs.106 cr vs a PAT of Rs.140 cr in Q2FY20 YoY, degrowth of 24%.
- Revenue of Textile segment has posted 11% degrowth y-o-y and 69% growth q-o-q, Rs.993 cr in Q2FY21 compared to Rs.1114 cr in Q2FY20, Rs.586 cr in Q1FY21 and EBIT of this segment grew by 1%/840% y-o-y/q-o-q to Rs.122 cr in Q2FY21 compared to Rs.121 cr in Q2FY20, Rs.13 cr in Q1FY21.
- Revenue of Paper segment has posted 21% degrowth y-o-y and 48% growth q-o-q, Rs.181 cr in Q2FY21 compared to Rs.228 cr in Q2FY20, Rs.122 cr in Q1FY21 and EBIT of this segment degrown by 41% y-o-y and grow by 45% q-o-q, Rs.49 cr in Q2FY21 compared to Rs.83 cr in Q2FY20, Rs.34 cr in Q1FY21.

Long term Triggers

Diversified revenue stream

In the textile business, Trident has a diversified revenue stream which supports the growth of the company. 26% of revenue comes from yarn and 54% from bed linen and bath linen (terry towels) in FY20 in the textile segment. The diversity is expected to improve in FY21 with an increasing revenue contribution of bed linen and terry towels. Also, the company operates in paper and chemical segment which diversifies the revenue stream.



Yarn – Product Mix includes 100% Cotton, Blended Yarn, Special Open-End Yarn, Organic Cotton, Core Spun Yarns, Eli-twist Yarn, Compact Yarn, Slub Yarn and an exclusive range of value-added yarns like Melanges, Package Dyed, Gassed Mercerized Yarn, Zero Twist, Wrapper Yarn, Bamboo/Cotton, Modal/Cotton, Soya/Cotton, Polyester/Cotton, BCI Cotton, BMP cotton, and 100% dyed yarn. Trident employs 5,83,708 spindles and 6464 rotors across locations, producing a massive capacity of 350 Mt/day. The manufacturing unit is equipped with the latest technology such as Blowroom from Trutzchler, Ring Frame from Zinsser and Murata, Compact attachments of Suessen, Testing technologies like UT 5 etc.

Clientele –



Source – Company, HDFC sec Research

Home textiles – Trident has acquired wide and varied global scale capabilities in terry towel and bedsheet production. From a variety of fibres and yarns to a range of colours, both in piece dyed and yarn dyed, plains & jacquards, to a complete collection of performance finishes and surface decorations.

Trident has partnered with some of the global-best technology companies to strike a rare mix of quality with cost-efficiency in its products. The Company has manufacturing units in Budni (Madhya Pradesh) and Barnala (Punjab).

The product portfolio of bath linen includes Bath Linen, Luxury, Organic, Spa & Hotel, Beach, Designer, Jacquard, Dobby Texture, Bath Mats, Checkered, Waffle, Infants & Kids, Bath Rugs.

The product portfolio of bed linen includes Solid/ Printed Sheets, Top-up Sheets, Duvets, Comforters, Fitted Sheets, Pillow Cases, Quilts, Decorative Pillows, Coverlets, Dohars. This division is operating at an average capacity utilisation of around 60%.



Source – Company, HDFC sec Research

Clientele home textile –



Source – Company, HDFC sec Research



Trident has well-established relationships with global organised retailers such as Walmart, Target, IKEA and JC Penny. Leveraging this, the company has multiple cross-selling avenues for bed linen products and has the potential to emerge as a one-stop-shop for bed and bath linen for existing and potential clients. This, in turn, would help the company improve its capacity utilisation.

Paper segment – With a production capacity of 175,000 TPA, Trident is the world's largest manufacturer of wheat straw-based paper. Post ongoing expansions, this capacity will be further upgraded to 200,000 TPA. This facilitates easy procurement at attractive pricing since Punjab is the highest wheat producing state in the country. Trident paper is the first mill in the world to use ECF bleaching and oxygen delignification on wheat straw. It is also the largest paper unit in India using wheat straw as raw material, and the first mill in India to adopt Fuzzy Logic for Burner Management in lime-kiln.

The product portfolio includes Branded copier paper - Trident Spectra, Trident My Choice, Trident Natural, Trident Eco Green, Trident Royal Touch, Trident Digi Print, Trident Spectra Bond; Writing and printing maplitho paper - Super Line, Prime Line, Cartridge Paper, Index Paper, Stiffener Paper, Diamond Line, Drawing Paper, Platinum Line, Silver Line, Trident Royale, Copier Grade; Bible and offset print paper – Bible, Cream Wove, Offset (Watermark), Paper.





Cientele –



Source – Company, HDFC sec Research

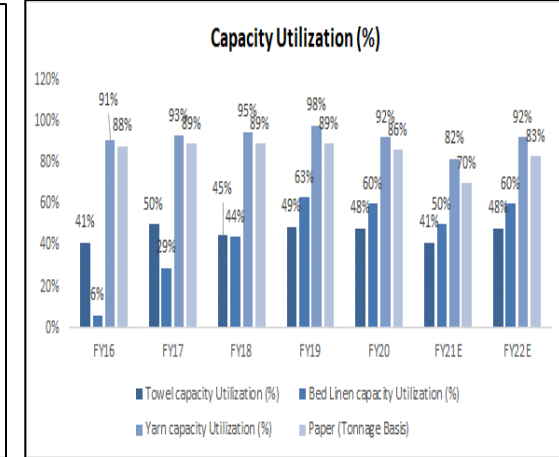
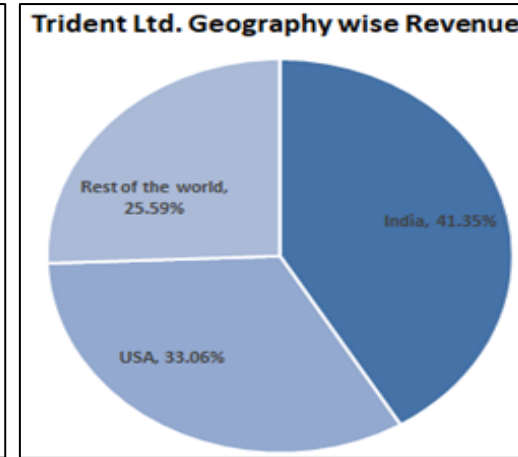
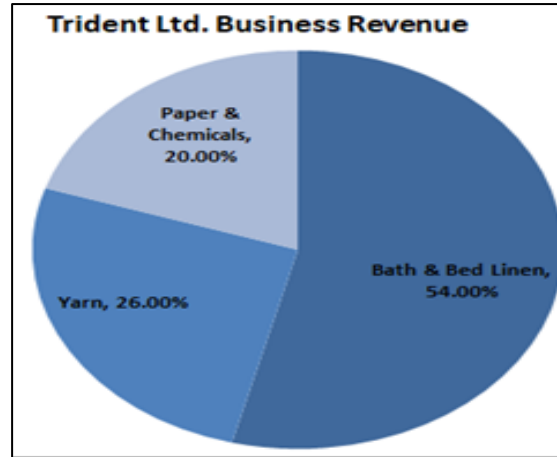
Chemical – Trident is one of the largest commercial and battery-grade sulphuric acid manufacturer in North India. It caters to the diverse battery requirements and finds usage in the production of zinc sulphate, alum, detergent and dye and fertilizers.

Cientele –



Source – Company, HDFC sec Research

Power segment – the company has the infrastructure to receive 63 Kg / cm² steam generated from recovery boilers running totally on black liquor effluent of Pulp process. Trident employs a 9.4 MW turbine running from steam generated at 63 Kg / cm² from recovery boilers running totally on black liquor effluent of Pulp process. Other facilities include infrastructure for export of power to PSEB and other states under open access and import/export of power to PSPCL and other states under open access. Trident's energy-efficient model sustains its Punjab facilities entirely through the output of this plant.



Source – Company, HDFC sec Research

Trident has a strong presence in both the domestic and export markets. ~59% of the revenue of the company comes from exports in FY20. Exports contributed 89% of revenue in the bed and bath linen, 32% in yarn and 9% in the paper. The US remains the primary market for the company's flagship towel business (bath linen).

Online presence –



Source – Company, HDFC sec Research



Leadership position in home textile which fuel growth

Over the last decade, India has not only been successful in defending its market leadership; but also gained market share in the terry towel exports to the US due to premium product portfolio, competitive cost of production, better availability of quality raw materials and favourable government policies.

The US has been one of the leading markets for Indian textiles and apparel products. India's export to the US was about 47% for garments, followed by home textiles making an extensive share of 38%. India's export of terry towel to the US has remained an oligopoly market over the last decade, where Welspun India and Trident accounts to 80% of India's exports of terry towel to the US. Trident is the second-largest Indian exporter of terry towel to the US, with a market share of ~13%+. Export contributes ~85% of bed & bath linen division revenue.

The growth potential of the home textile industry

India commands a significant share in the global cotton home textile market, due to its competitive edge in the form of abundant cotton availability and competitive costs.

The home textiles form a major segment of the overall textile industry. It consists of a wide range of categories such as furnishing fabrics, curtains, carpets, table covers, kitchen accessories, made-ups, bedspreads, bath linen, and other home furnishings. The global home textiles market size was valued at USD 94.73 billion in 2018 and is expected to register a CAGR of 5.01% from 2019 to 2025.

The key factors responsible for the growth of bed linen are increased spending and a skewed interest for premium and designer bed linen with various functional benefits.

India has strengthened its position as an alternative to China resulting from favourable ease of doing business ranking, better compliance and political stability. The labour cost in India is highly competitive in the region and significantly lower than in China.

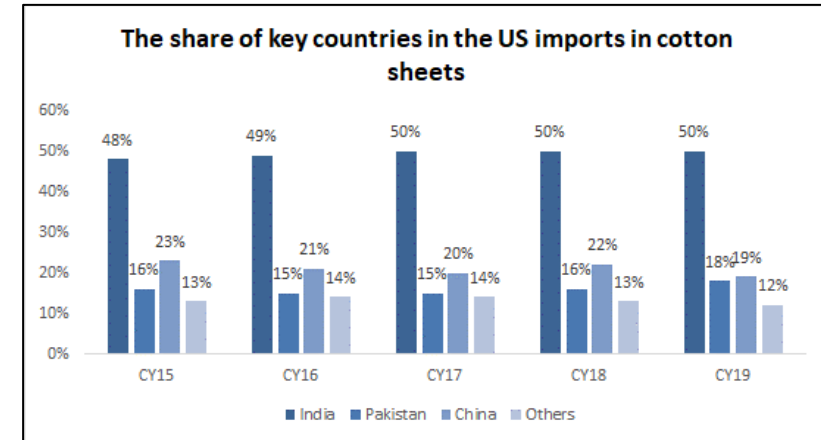
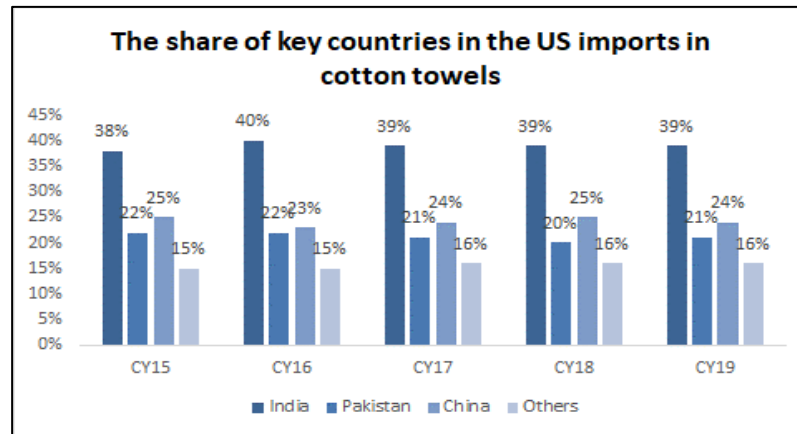


Parameters	Unit	China	India	Bangladesh	Vietnam	Ethiopia
Labour Wages*	US\$ / month	550 - 600	160 - 180	110 - 120	190 - 200	80 - 90
Power Cost	US\$ / Kwh	0.15 - 0.16	0.10 - 0.12	0.09 - 0.12	0.08 - 0.10	0.03 - 0.04
Water Cost**	Usc / m3	55 - 60	16 - 20	20 - 22	50 - 80	30 - 40
Lending Rate	%	6% - 7%	11% - 12%	12% - 14%	7% - 8%	8.5% - 9%
EODB Ranking***	Rank	31 (91)	63 (132)	168 (129)	70 (99)	159 (127)

*Cost for semi-skilled labour; includes all benefits
 **Water cost is based on the average tariff of the water supply companies of specific countries
 ***Ease of Doing Business World Bank Ranking. The values in bracket reflect the Rank in 2013

Source – Welspun India Annual Report 2020, HDFC sec Research

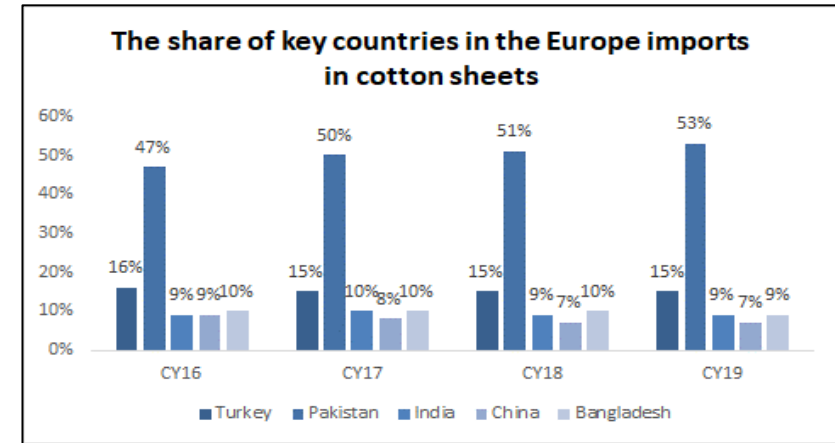
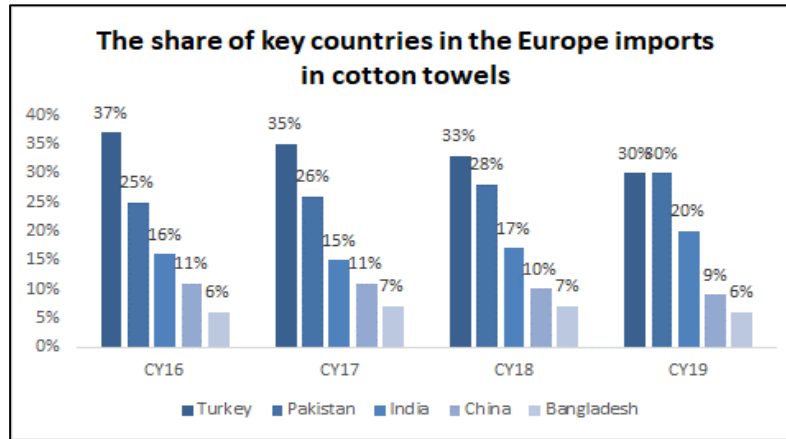
According to the Office of Textiles and Apparels (OTEXA) US, in CY2019, India supplied about 39% of the imports of cotton towels to the US, which has grown significantly from the levels of 30% in CY2009. Even in the cotton sheets segment, the Country supplied about 50% (CY2019) of the total import to the US, increasing from 27% (CY2009).



Source – Welspun India Annual Report 2020, HDFC sec Research



Similar to the US, Europe is an equally large market, but Indian players have low penetration due to duty disadvantage compared to countries like Pakistan, Turkey and Bangladesh which have preferential tariff rates granted by the European Union (EU). Indian exporters pay 9-10% duty on the home textile products exported to the EU, whereas some of the key competing countries have zero duty access to the market. However, this also poses a significant opportunity for Indian players. Any significant reduction in duties on Indian exports can open up a huge market for Indian players.



Source – Welspun India Annual Report 2020, HDFC sec Research

It started with an upsurge with towels being the hygienic product. The demand for bed sheets, rugs and carpets also surged. Sitting at home people have started looking at DIY and decorating their homes and that has become a very important aspect for a lot of people.

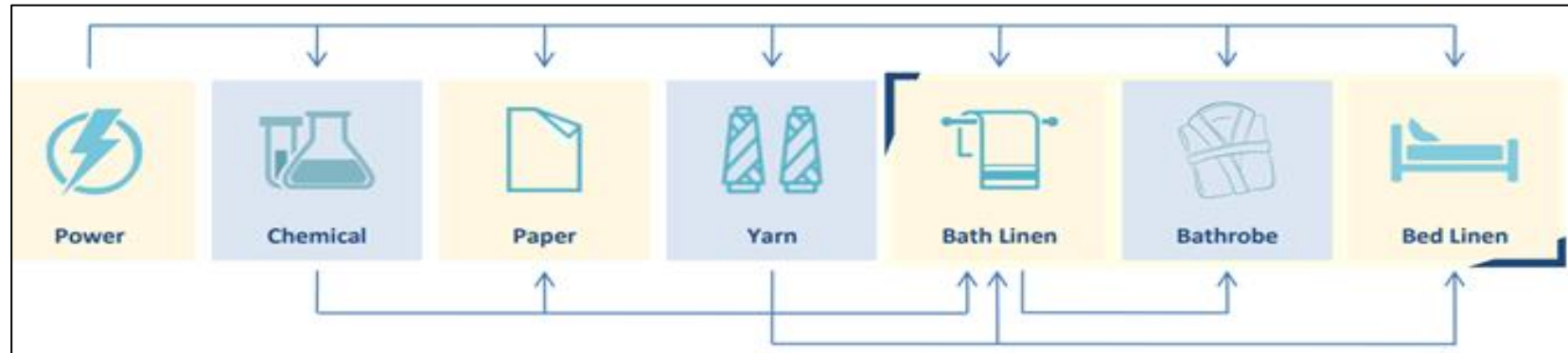
Integration of operations support efficiency

Trident has successfully transitioned to an integrated home textile player from a cotton yarn manufacturer. Manufacturing processes of both the home textile and paper businesses are highly integrated. Total captive consumption of yarn stands at around 50%. The bedsheet



unit commissioned in fiscal 2016 has captive spinning, weaving, and processing capability, which meets all its requirement. Trident has a captive power facility of about 50 megawatt (MW) which leads to reduce power costs.

In the paper segment, Trident manufactures paper using cost-effective wheat straw as the primary fibre source as against the commonly used wood pulp. The plant is at Barnala in Punjab, which is the largest wheat cultivating state in India. These factors have led to strong operating margin in the paper business.



Source – Company, HDFC sec Research

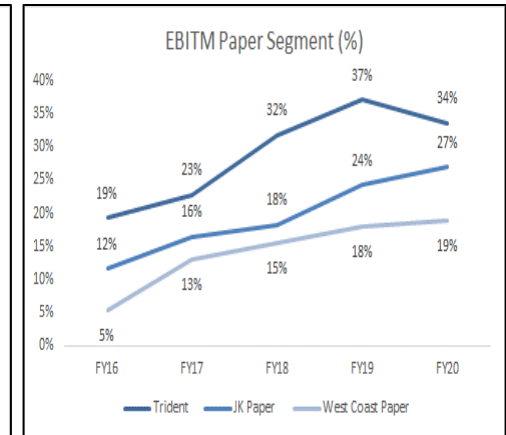
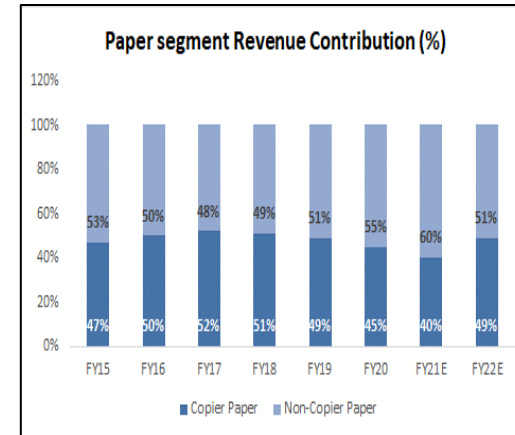
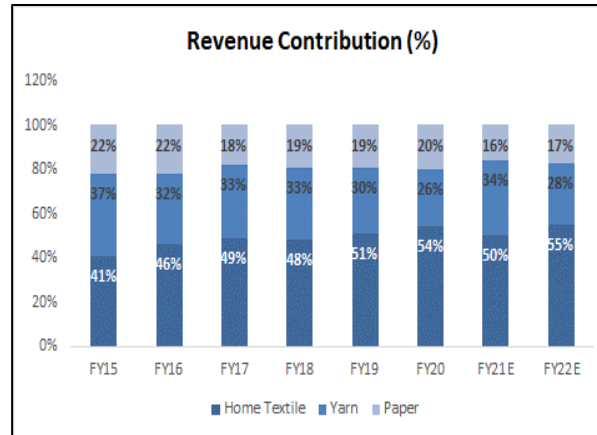
The company has focused on increasing the captive consumption of low-margin cotton yarn. With the increase in utilisation in the home textile segment, the captive consumption of yarn to increase to ~45% from 35% in FY17. Cotton yarn typically commands a lower margin than value-added home textiles products. A sharp rise in cotton prices adversely affects margins of cotton yarn players since yarn prices are highly correlated with cotton prices. Therefore, an increase in captive consumption of cotton yarn by home textiles not only reduces margin volatility but also improves margins.



Increasing share of value-added products

The company has ventured into the bed linen segment in FY17 (installed capacity of 43m meters) to leverage on the strong customer base in bath linen (towel). Bed linen segment accounts for the largest share in the Indian and global home textile markets.

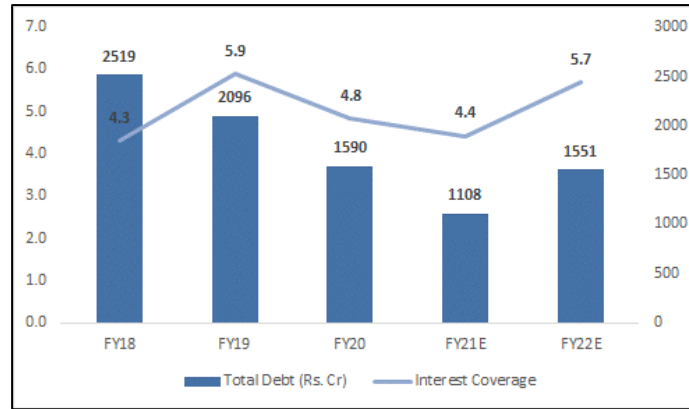
Trident is a fourth-largest paper manufacturer in India and the world's largest wheat straw-based paper manufacturer, with a capacity of 175,000 TPA. The high-growth, high-margin branded copier paper accounts for ~40% of its sales volume. The company intends to further increase the share of branded copier and leverage on the industry-wide growth in the segment. Copier paper in India is witnessing a higher growth compared to other paper and stationery.



Source – Company, HDFC sec Research

Debt reduction helps to improve balance sheet strength and support future Capex plan

The company has strong CFO and FCF in the last 4 years which helps in the repayment of high debt borrowing. Repayment of borrowing has helped to strengthen the balance sheet further.



Source – Company, HDFC sec Research

Trident's plan for yarn expansion and paper debottlenecking-cum-expansion projects have been put on hold and being reviewed amid the sluggish yarn demand and COVID-19 led issues. The company's total Capex plans of about Rs.1500 cr now to be spread over FY21-FY23 instead of earlier execution over FY20-FY21. This capex requires a further debt so that low debt balance sheet can afford additional debt requirement.

What could go wrong

Impact of Covid-19 pandemic

The textile industry is one of the largest employment-generating industries in India. The textile and clothing sector is labour and capital intensive. A majority of workers are migrant labourers. Majority of the labourers have returned to their homes and are reluctant to join work even after the end of lockdown. Reduced availability of truck drivers is impacting inward and outward logistics.

The Covid-19 pandemic has majorly impacted exports and domestic market with declining sales volume. The country's export numbers are affected by the disruption caused by Covid-19 in the US and EU, the two largest markets for exports in value terms. Additionally, domestic consumption has weakened due to nation-wide closure. Moreover, domestic prices and margins are likely to be negatively impacted if

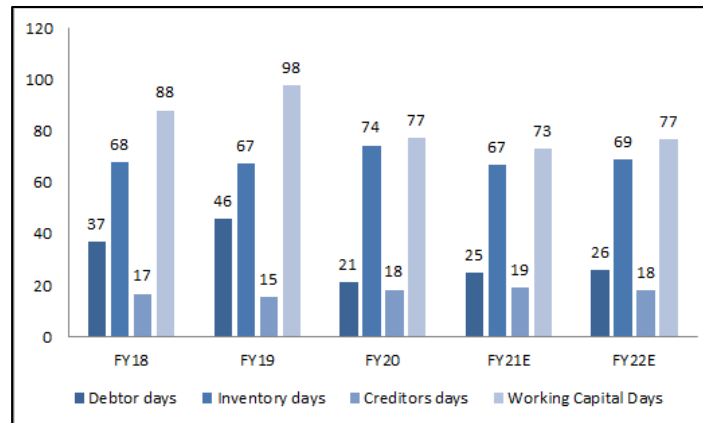


exporters dump their inventories in the market. This could create short term blips such as reduced employment of casual labour and decreased consumption.

Any significant move by competing countries such as China, Pakistan, or Vietnam to push their exports by altering local policies or through a bilateral relationship with importing countries, can affect the competitive position of Indian players, including Trident.

Business nature itself working capital intensive

The key raw material for the home textiles business is cotton which is a seasonal crop and good quality cotton is available only during the peak cotton season (October to March). Trident maintains an inventory of 4-6 months at the year-end as cotton availability and quality is generally an issue during the off-season. Efficient working capital management is critical to Trident's operations as the company scales up business.



Source – Company, HDFC sec Research



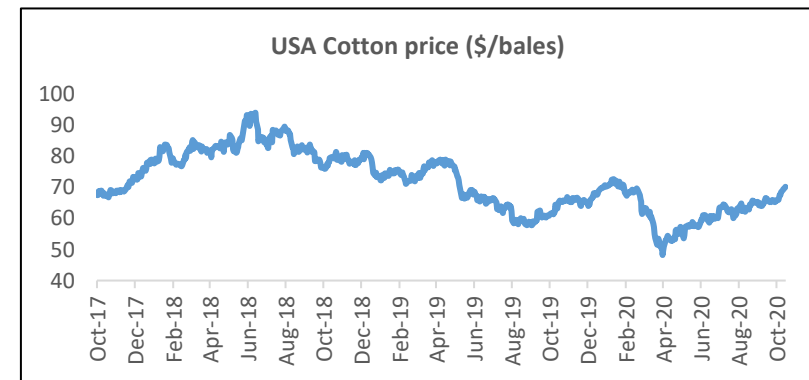
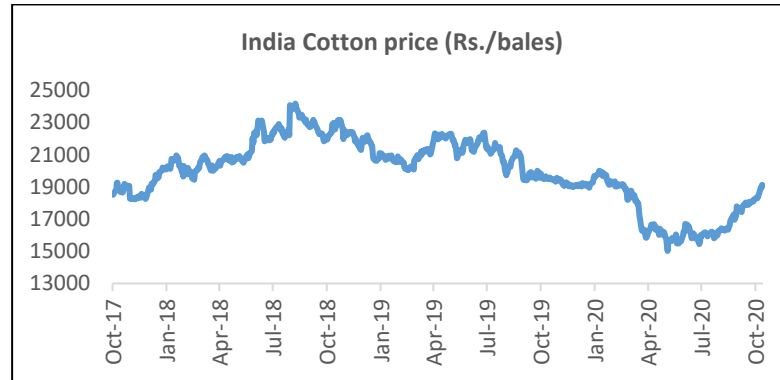
Forex fluctuation risks:

During FY20, Trident earned about USD 357 million from exports. Any depreciation or appreciation in the value of Rupee vs USD/GBP/Euro could impact its revenues and margins either favourably or adversely. However, it normally has covered through foreign currency forward contracts and option currency contracts to hedge its foreign currency risks.

Raw material price volatility affects the operation

Cotton prices are volatile as they are sensitive to international demand/supply, and factors such as monsoon or pest attacks. Parts of the U.S. cotton crop were hurt by wind and rain from Hurricane Delta, compounding a poor weather season that's delayed the harvest. It has been projected that yields running about 15%-20% lower than last year, prices can continue to climb. Exports by Trident and other Indian home textile companies are routed to large retailers and are sold as their private labels. As a result of this, in a raw material inflationary scenario, home textile companies are unable to pass on high raw material prices.

Cotton and wheat husk are the major raw materials used by the Company for textile and paper production respectively. Volatility in prices impacts the overall cost of production, and thus, the profitability.



Source – Company, HDFC sec Researchs



Huge dependence on US markets for exports

Trident has heavy dependence on US retailers for its home textile exports business. Any change in import tariff structure in US or a significant macro-economic slowdown can have an adverse impact on its earnings.

Reduction in export incentives

Indian textile industry is highly dependent on government incentives like duty draw back and rebate of state levies. Currently home textile export sector enjoys maximum rebate of 8.2% under ROSCTL (Rebate of State and Central Levies and Taxes) scheme.

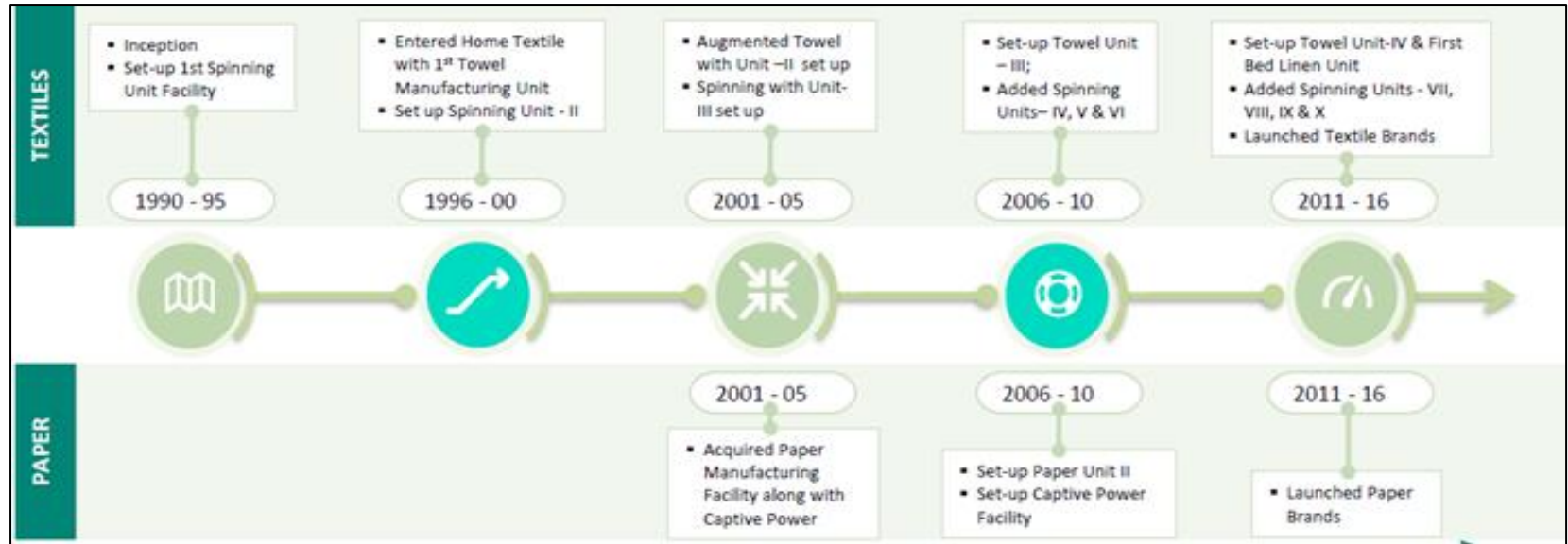
Inability to ramp-up utilizations

Textiles is a high capital-intensive business and involves a lot of fixed cost. Inability of company to ramp-up its utilization can result in negative operating leverage.

Trident has a massive number of equity shares outstanding (~498 cr) compared to its revenues and profits. It would take a sharp jump in sales and profits for EPS to be impacted significantly. Also its sales to fixed assets ratio is low resulting in an impact on return ratios.

About the Company

Trident was incorporated in 1990 as Abhishek Industries Ltd, promoted by Mr Rajinder Gupta. In the year 2011, the company has changed its name to Trident from Abhishek Industries. Trident Group is a leading diversified group of businesses headquartered in Ludhiana, Punjab. From being a solitary yarn and paper manufacturer, the company has transformed itself to become one of the largest, integrated home textile manufacturers in the world. Apart from establishing an entrenched presence in the terry towel segment, Trident has built a bed linen facility in Budhni, Madhya Pradesh, which has further enhanced home textile portfolio. In the textile business, it has 5.42 lakh spindles, 6464 rotors manufacturing 1.15 lakh mTPA of yarn, 672 looms for terry towels for manufacturing 90000 MTPA, and 500 looms for bed linen producing 43.9 mn mtrs p.a.. In paper, it can produce 175,000 TPA. It has 1 lakh tonnes of sulphuric acid capacity and captive popper plant of 49.4 MW. Trident is one of the largest manufacturers of terry towels in the world.



Source – Company, HDFC sec Researchs

Peer Comparison as per FY20 Financials

Company	CMP (As on 31-10-2020)	TTM Mcap (Rs. Cr)	OPM%	NPM%	RoE%	RoCE%	D/E(x)	TTM P/E (x)
Trident Ltd	7	3640	18	7	11	13	0.5	19
Welspun India	70	7025	18	8	17	13	1.2	20
Indo Count Industries	143	2817	9	4	14	15	0.3	21
Vardhman Textile	765	4398	14	9	9	9	0.4	14

Source – Company, HDFC sec Researchs

Financials

Income Statement

(Rs Cr)	FY18	FY19	FY20	FY21E	FY22E
Net Revenue	4558	5249	4728	4056	5111
Growth (%)	-1.5	15.2	-9.9	-14.2	26.0
Operating Expenses	3738	4266	3879	3367	4211
EBITDA	819	983	849	689	900
Growth (%)	-7.5	20.0	-13.6	-18.8	30.6
EBITDA Margin (%)	18.0	18.7	18.0	17.0	17.6
Other Income	94.2	43.4	20.2	25.0	22.0
Depreciation	404.1	364.0	333.7	343.8	361.1
EBIT	509	662	536	370	561
Interest	118.2	112.4	110.9	83.6	98.4
Shares of Profit in Joint Ventures (net of Tax)	0.0	0.0	0.0	0.0	0.0
PBT	391	550	425	287	463
Tax	127.7	178.4	81.3	70.5	115.6
APAT	263.4	371.6	340	216.1	346.9
Growth (%)	-21.7	41.1	-7.6	-37.0	60.5
EPS	0.5	0.7	0.7	0.4	0.7

Balance Sheet

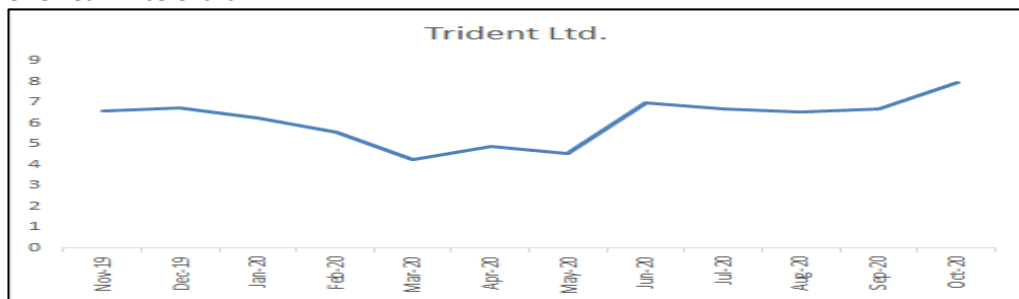
As at March	FY18	FY19	FY20	FY21E	FY22E
SOURCE OF FUNDS					
Share Capital	497.8	498.1	497.9	497.9	497.9
Reserves	2444	2475	2523	2600	2798
Minority Interest	0	0	0	0	0
Other Equity & Liabilities	0	0	0	0	0
Shareholders' Funds	2941	2973	3021	3098	3296
Long Term Debt	1411	954	689	469	797
Long Term Provisions & Others	281	408	337	337	377
Total Source of Funds	4634	4335	4047	3903	4469
APPLICATION OF FUNDS					
Net Block	4247	3848	3788	3938	4363
Non-Current Investments	104	131	128	120	122
Deferred Tax Assets (net)	0	0	0	0	0
Long Term Loans & Advances	150	140	70	77	82
Other Assets	0	0	0	0	0
Total Non Current Assets	4500	4119	3985	4134	4567
Current Investments	11	67	0	0	0
Inventories	923	1012	916	745	966
Trade Receivables	460	658	275	278	364
Short term Loans & Advances	96	90	99	87	90
Cash & Equivalents	46	26	338	32	135
Other Current Assets	294	184	124	127	129
Total Current Assets	1831	2037	1752	1269	1684
Short-Term Borrowings	1108	1142	901	640	755
Trade Payables	169	187	202	175	208
Other Current Liab & Provisions	406	468	566	662	794
Short-Term Provisions	14	25	21	23	25
Total Current Liabilities	1698	1822	1690	1500	1782
Net Current Assets	133	215	62	-231	-98
Total Application of Funds	4634	4335	4047	3903	4469



Cash Flow Statement

(Rs Cr)	FY18	FY19	FY20	FY21E	FY22E
Reported PBT	391	550	425	287	463
Non-operating & EO items	-94	-43	-20	-25	-22
Interest Expenses	118	112	111	84	98
Depreciation	404	364	334	344	361
Working Capital Change	-29	-214	457	-13	-31
Tax Paid	-128	-178	-81	-71	-116
OPERATING CASH FLOW (a)	663	590	1,224	606	753
Capex	2	169	-230	-543	-786
Free Cash Flow	664	759	995	63	-33
Investments	-45	-17	73	1	-8
Non-operating income	94	43	20	25	22
INVESTING CASH FLOW (b)	51	195	-137	-517	-772
Debt Issuance / (Repaid)	-298	-331	-336	-221	368
Interest Expenses	-118	-112	-111	-84	-98
FCFE	248	316	548	-242	237
Share Capital Issuance	0	0	0	0	0
Dividend	-92	-159	-253	-139	-149
FINANCING CASH FLOW (c)	-509	-602	-700	-444	121
NET CASH FLOW (a+b+c)	205	184	388	-355	102

One Year Price Chart



Key Ratios

	FY18	FY19	FY20	FY21E	FY22E
Profitability (%)					
EBITDA Margin	18.0	18.7	18.0	17.0	17.6
EBIT Margin	11.2	12.6	11.3	9.1	11.0
APAT Margin	5.8	7.1	7.3	5.3	6.8
RoE	9.2	12.6	11.5	7.1	10.9
RoCE	11.0	15.3	13.2	9.5	12.6
Solvency Ratio					
D/E	0.9	0.7	0.5	0.4	0.5
Interest Coverage	4.3	5.9	4.8	4.4	5.7
PER SHARE DATA					
EPS	0.5	0.7	0.7	0.4	0.7
CEPS	1.3	1.5	1.4	1.1	1.4
BV	6	6	6	6	7
Dividend	0.2	0.3	0.3	0.3	0.3
Turnover Ratios (days)					
Debtor days	37	46	21	25	26
Inventory days	68	67	74	67	69
Creditors days	17	15	18	19	18
Working Capital Days	88	98	77	73	77
VALUATION					
P/E	13.8	9.8	10.6	16.8	10.5
P/BV	1.2	1.2	1.2	1.2	1.1
EV/EBITDA	6.2	5.1	6.0	7.3	5.6
Dividend Yield	2.1	3.7	3.5	3.8	4.1
Dividend Payout	0.3	36.2	37.4	64.5	43.1

Source: Company, HDFC sec Research



Disclosure:

I, **Jimit Zaveri, (MBA-Finance)**, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. HSL has no material adverse disciplinary history as on the date of publication of this report. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. **does not have** any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate **does not have** any material conflict of interest.

Any holding in stock – No

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is meant for sole use by the recipient and not for circulation. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk.

It should not be considered to be taken as an offer to sell or a solicitation to buy any security. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.