TRIDENTGROUP™
Being different is normal

E-212, Kitchlu Nagar
Ludhiana-141001
Punjab, India

Talk: +91 161 5039999
Fax: +91 161 5038800
Visit: tridentindia.com

TRIDENT/CS/2018
December 6, 2018

The Manager Listing Department National Stock Exchange of India Limited Exchange Plaza, Plot No. C/1, G Block Bandra Kurla Complex, Bandra (E) Mumbai - 400 051	The Manager Listing Department BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai - 400 001
Scrip Code:- TRIDENT	Scrip Code:- 521064

Dear Sir/ Madam,

Sub: CARE reaffirmed the Credit Rating of Trident Limited

Pursuant to Regulation 30 and other applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are pleased to inform you that Credit Ratings of the bank facilities have been reaffirmed by CARE Ratings Limited ('CARE') as under:

Facilities	Amount (INR Cr.)	Rating	Remark
Long term Bank Facilities	1,564.63 (reduced from 1,764.63)	CARE AA-; Stable (Double A Minus; Outlook: Stable)	Reaffirmed
Long term /Short term Bank Facilities	1,500.00 (enhanced from 1,200.00)	CARE AA-; Stable / CARE A1+ (Double A Minus; Outlook: Stable/ A One Plus)	Reaffirmed
Short term Bank Facilities	200.00 (reduced from 300.00)	CARE A1+ (A One Plus)	Reaffirmed
Total Facilities	**3,264.63**		

A copy of the formal rating rationale issued by CARE is enclosed herewith.

This is for your reference and record please.

Thanking you,

Yours sincerely,

For **Trident Limited**

Deep Kaur

TRIDENT LIMITED SANGHERA-148101, INDIA

(Ramandeep Kaur)
Company Secretary
ICSI Membership No.: F9160

Encl: As above

Trident Limited

December 05, 2018

Ratings

Facilities	**Amount (Rs. crore)**	**Rating**[1]	**Remarks**
Long term Bank Facilities	1,564.63 (reduced from 1,764.63)	**CARE AA-, Stable (Double A Minus; Outlook: Stable)**	**Reaffirmed**
Long term/ Short term Bank Facilities	1,500.00 (enhanced from 1,200.00)	**CARE AA-; Stable / CARE A1+ (Double A Minus; Outlook: Stable / A One Plus)**	**Reaffirmed**
Short term Bank Facilities	200.00 (reduced from 300.00)	**CARE A1+ (A One Plus)**	**Reaffirmed**
Total Facilities	**3,264.63 (Rupees Three Thousand Two Hundred Sixty Four crore and Sixty Three Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings assigned to the bank facilities of Trident Limited (Trident) factors in the stable financial & operational performance of the company despite downturns in the home textile industry in FY18 (refers to period from April 01 to March 31) primarily supported by the strong performance in the paper division. Rating reaffirmation also factors in the diversified revenue stream, improved financial performance in H1FY19, comfortable liquidity position and improvement in its debt coverage indicators backed by the prepayment of its debt. The ratings continue to factor in the experienced management, established client relationship with approved supplier status for large global retailers and long track record of the operations.

The ratings strengths are partially offset by its working capital intensive operations, exposure to foreign exchange fluctuation risk and raw material price volatility and cyclicality associated with the textile industry.

The ability of the company to sustain its overall profitability and efficiently manage its working-capital requirements while maintaining the capital structure at envisaged levels would be the key rating sensitivities. Further, any larger than envisaged debt funded capex having an impact on its overall financial profile shall also remain critical going forward.

Detailed description of the key rating drivers

Key Rating Strengths

Healthy financial risk profile with stable operating performance

During FY18, Trident's total operating income remained almost flat in comparison with the income recorded for FY17 with the overall PBILDT margins of 18.83% in FY18 vis-à-vis 19.81% in FY17 (excluding gain on foreign exchange). Due to uneven procurement cycle & destocking by some of large customers in US, the entire home textile Industry saw pressure in volumes in Q2 of FY18 which also continued in Q3 FY18. Exceptional destocking by few of the large global retailers due to their changing mix of online and brick and mortar sales led to reduced volume offtake primarily for terry towels. Further, stronger rupee and higher raw material prices due to unavailability of quality cotton along with overall reduction in export incentives by 2.5-3% post GST roll-out continued to remain key headwinds during FY18. . Trident's overall revenue and EBITDA were broadly resilient, despite the downturn in the home textile business, in FY18, supported by the strong performance in paper division.

Trident reported 10% growth in its income from operations in H1FY19 over H1FY18 primarily led by volumes uptick in the bed & bath linen. Continuous efforts in branding & distribution in US markets have helped Trident to increase volumes & sustain the growth in the home textile segment.

It is currently operating at optimal utilization levels in yarn (*90% capacity utilization in FY18*) and paper (8*9% capacity utilization in FY18*) while for bath linen (*towel manufacturing; 57% capacity utilization in FY18*) and bed linen (*53% capacity utilization in FY18*) the capacities are moderately utilized. The company is primarily focusing towards increasing its operational capacity utilizations while it also has capex plans in the medium term to further ramp up the capacities in its home textile segment and also for Captive Cogeneration Steam & power which are likely to enhance its operational efficiencies. The company is also planning to do some capex to debottleneck its capacities in the paper segment. These

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

projects will be financed with a combination of debt and equity and completion of these capex plans as envisaged without any time & cost overrun shall be key rating sensitivities going forward.
The company is also putting efforts on beefing up its marketing network and has developed a strong marketing team while establishing its offices in US, Europe and other major export destinations to ensure that the offtake for the new capacities which have been added in the past years continues to remain strong.

Stable credit profile & comfortable liquidity position:
During FY18, Trident repaid Rs.544 crore of term loans as against the scheduled repayment obligation of Rs.302 crore leading to improvement in capital structure and debt coverage indicators. With the substantial prepayment of debt along with improvement in net worth, the overall gearing position of the company has improved to 0.98x as on March 31, 2018 vis-à-vis 1.06x as on March 31, 2017. Its interest coverage has remained strong and improved (FY18: 7.35x, FY17: 6.54x;) on account of healthy EBITDA and a low average cost of debt (4.2% as of March 2018). Further, Trident's average utilization of the fund-based working capital limits stood at 89% during 12 months ended Sep 2018. Further Trident has free cash & liquid investments to the tune of Rs 400 crore which provides a comfortable liquidity buffer to the company. Going forward maintaining a strong liquidity profile in the medium term will be critical for the credit profile of Trident as it goes ahead with its capex plans for a brownfield expansion and captive power project.

Experienced promoters and management team:
Trident is promoted by Mr Rajinder Gupta who is the founder and Non - Executive Co-chairman of the Board. He was awarded with prestigious 'Padmashree' title in 2007, in recognition of his distinguished services in the field of trade and industry. He is also the vice chairman of the Punjab State planning Board. The BoD includes Ms Pallavi Shroff (partner in Amarchand & Mangaldas & Suresh A Shroff & Co) and Mr Rajiv Dewan (Chartered Accountant). Mr. Deepak Nanda who is the Managing Director is an alumnus of IIM Ahmedabad & possesses more than three decades of experience in business development, client relationship, project implementation. Mr. Abhishek Gupta, CEO (son of Mr. Rajinder Gupta) holds a degree in International Marketing from Harvard Business School and he spearheaded the branding initiatives of copier paper business. He was honored with ASSOCHAM Leadership Award (CEO) in 2016. The operations of the company are managed by well qualified and experienced senior management team.

Diversified and integrated operations:
Trident has well-diversified operations which can be classified into two divisions, viz, textiles division and Paper, Chemical and Energy division. In FY18 the company derived approximately 81% of the sales from textiles comprising of cotton yarn, terry towel and bed sheet manufacturing. Trident is the market leader in the towel segment in India, and accounts for a significant part (32%) of Indian towel exports to the US. Furthermore, approximately 19% of the gross sales in FY18 is contributed from paper, chemical and energy segment.
The diversified revenue stream along with consistent growth in the various divisions reduces the dependence of the company on a single product line. Furthermore, the company has integrated operations in the textile segment comprising spinning, weaving and processing. The integration across value chain and its large manufacturing scale increases Trident's ability to provide quality products at competitive rates to the clients.

Established relationship with the large global retail and institutional brands:
Trident has developed strong relationships with clients and supplies products on program basis to its key clients. The company has a strong client list comprising global retail and institutional brands. Further, under the paper segment also, Trident has presence in 54 countries across the world. Trident derives 55% of the operating income through exports majorly derived from textiles segment; however, paper segment is majorly pertains to domestic market with Trident's copier paper being one of the major selling brands in the country.

Key Rating Weaknesses
Working capital intensive operations and raw material price volatility:
Owing to the continuous growth in operations and stocking of the raw material (cotton) during its availability season, Trident has working-capital intensive operations with the large inventory requirements leading to higher working capital requirements. The company also avails benefit of interest subvention of 3% on Pre and Post Shipment Rupee Export Credit which has reduced the average fund based working capital cost (net of subvention) to 5.50% pa. On account of the interest benefits, the company keeps its available limits utilized while investing the excess liquidity in fixed deposits and debt mutual funds as & when available. Trident's average utilization of the fund-based working capital limits stood at 89% during 12 months ended Sep 2018. Trident however has free cash & liquid investments to the tune of Rs 400 crore which provides a cushion to its liquidity.
Cotton prices are volatile in nature driven by various factors like, area under cultivation, yield for the year, government regulation and pricing, etc. Trident stocks cotton during its availability season, which exposes the company to price volatility risk. The industry witnessed a sharp increase in cotton prices In FY18. During FY18, Indian cotton production suffered a major hit due to pink ball worm attack which affected the quality of cotton and drove its prices higher. The

average price of raw cotton per kg for Trident Ltd in FY17 was Rs 108.5/ kg as against Rs 119.80/ kg in FY18. Since cotton is the major raw material for the company, any unfavorable fluctuation in the cotton prices directly impacts the margins. However, owing to the company's presence in value added yarn segment and exports of terry towel, the company has been able to pass on the increase in raw material to some extent to its customers.

Foreign exchange fluctuation risk:

Trident's high proportion of income comes through exports thus exposing the company to high foreign exchange fluctuation risk. Since the company does not enjoy a natural hedge as its purchases are mostly indigenous, the company uses forwards for hedging its foreign currency transactions. The company hedges its forex risk through plain vanilla forwards to the extent of around 60% of the total exposure with 100% confirmed orders. During Q1FY19 USD/INR moved from 65.04 to level of Rs.68.58 representing absolute rupee depreciation of 5.43%. USD/INR further moved to 72.55 as on Sep 30, 2018 representing absolute rupee depreciation of 5.8% in Q2FY19 and 11.5% for H1FY19. During FY17, the company had booked net gain on foreign currency transaction and translation of Rs.64.44 crore vis-à-vis gain of Rs.32.10 crore in FY18. Further in H1FY19, Rs 97.35 crores has been booked as Fx loss as compared to Rs 10.09 crore profit in H1FY18.

Cyclical and fragmented industry:

Trident operates in a cyclical and fragmented textile yarn industry marked by organised as well as unorganised players which limits the pricing abilities of the players in the industry. However, the risk is partly mitigated with Trident's diversified operations.

Analytical approach: Standalone

Applicable Criteria

CARE's Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
CARE's Methodology for Short-term Instruments
CARE's Methodology for manufacturing companies
CARE's Methodology for cotton yarn
Financial Ratios – Non Financial Sector
CARE's Methodology for Factoring Linkages in Ratings

About the Company

Incorporated in 1990, Trident is the flagship company of the 'Trident Group'. Trident's activities can be classified into two segments, viz Textiles having Yarn Division, Terry Towel Division and Bed Sheet division while the other segment includes Paper, Chemical & Energy Division. Trident is one of the largest manufacturers of terry towels in the world. The company has its manufacturing facilities located at Barnala (Punjab) and Budni (Madhya Pradesh). As on Sep 30, 2018, the combined installed capacity of the company includes 542,448 spindles producing 115,200 tons p.a, 6464 rotors, 672 looms for terry towels producing 90,000 MTPA, 500 looms for bed sheet producing 42.96 million meter p.a, 175,000 TPA of paper and 100,000 TPA of sulphuric acid and a captive power plant of 49.4 MW.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	4653.53	4613.06
PBILDT(1)	921.71	868.62
PAT	336.98	263.74
Overall gearing (times)(2)	1.06	0.98
Interest coverage (times)	6.54	7.35

A: Audited

(1)Excluding foreign exchange gain of Rs 64.44 in FY17 & Rs 32.10 crore in FY18

(2)Overall gearing has been calculated on the gross debt. Trident although earmarked bank balances of Rs 51.5 crore in FY17 & Rs 110.23 crore in FY18. Further Company has free Cash & liquid investments of Rs 416 crore as on Sep 30, 2018.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Analyst Contact
Name: Mr. Gaurav Dixit
Tel: 011-45333235
Mobile: 9717070079
Email: gaurav.dixit@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Term Loan-Long Term	-	-	December 2027	1,564.63	CARE AA-; Stable
Non-fund-based - ST-BG/LC	-	-	-	200.00	CARE A1+
Fund-based - LT/ ST-CC/PC/Bill Discounting	-	-	-	1,200.00	CARE AA-; Stable / CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	165.63	CARE AA-; Stable	-	1)CARE AA-; Stable (12-Oct-17)	1)CARE A+; Stable (03-Mar-17) 2)CARE A (12-Oct-16)	1)CARE A- (21-Oct-15)
2.	Non-fund-based - ST-BG/LC	ST	200.00	CARE A1+	-	1)CARE A1+ (12-Oct-17)	1)CARE A1 (03-Mar-17) 2)CARE A1 (12-Oct-16)	1)CARE A2+ (21-Oct-15)
3.	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST	1500.00	CARE AA-; Stable / CARE A1+	-	1)CARE AA-; Stable / CARE A1+ (12-Oct-17)	1)CARE A+; Stable / CARE A1 (03-Mar-17) 2)CARE A / CARE A1 (12-Oct-16)	1)CARE A- / CARE A2+ (21-Oct-15)
4.	Term Loan-Long Term	LT	1399.00	CARE AA-; Stable	-	1)CARE AA-; Stable (12-Oct-17)	1)CARE A+; Stable (03-Mar-17) 2)CARE A (12-Oct-16)	1)CARE A- (21-Oct-15)

CONTACT

Head Office Mumbai

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU
Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH
Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91- 0172-490-4000/01
Email: anand.jha@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

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