TRIDENTGROUP™
Excellence in nature

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TRIDENT/CS/2020
April 4, 2020

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 the 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	1812.92 (Increased from 1564.63)	CARE AA-, Stable (Double A Minus; Outlook: Stable)	Reaffirmed
Long term/ Short term Bank Facilities	1500.00 (Same as previous)	CARE AA-; Stable/CARE A1+ (Double A Minus; Outlook: Stable/ A One Plus)	Reaffirmed
Short term Bank Facilities	200.00 (Same as previous)	CARE A1+ (A One Plus)	Reaffirmed
Total Facilities	**3,512.92**		

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

This is for your reference & record please.

Thanking you,

Yours faithfully,
For **Trident Limited**

Deep Kaur

TRIDENT LIMITED
TRIDENT GROUP
Excellence in nature
SANGHERA-148101, INDIA

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

Encl: as above

Trident Limited

April 03, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Remarks
Long term Bank Facilities	1,812.92	**CARE AA-, Stable (Double A Minus; Outlook: Stable)**	**Reaffirmed**
Long term/ Short term Bank Facilities	1,500.00	**CARE AA-; Stable / CARE A1+ (Double A Minus; Outlook: Stable / A One Plus)**	**Reaffirmed**
Short term Bank Facilities	200.00	**CARE A1+ (A One Plus)**	**Reaffirmed**
Total Facilities	**3,512.92 (Rupees three thousand five Hundred twelve crore and ninety two lakhs only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Trident Limited (Trident) continue to derive strength from the healthy financial risk profile with largely stable operational performance of the company in FY19 (refers to the April 01 to March 31) and 9MFY20 (Unaudited) and strong liquidity position. The ratings further derive strength from the experienced management, diversified & integrated nature of operations and established client relationship with approved supplier status for large global retailers.

The rating strengths are partially offset by the working capital intensive operations, exposure to foreign exchange fluctuation risk and raw material price volatility and cyclical & fragmented nature of the textile industry.

Rating Sensitivities

Positive Factors

- *Substantial and significant scaling up of operations with PBIDT margins improving to 23-25%*
- *Successful commissioning of the ongoing capex within the time and cost estimates leading to achievement of the envisaged income and higher profitability levels leading to improvement in the overall gearing ratio to 0.4x-0.5x levels*

Negative Factors

- *Higher than anticipated weakening of operating performance due to Covid-19 outbreak*
- *Any significant cost or time over run in the ongoing projects adversely affecting the credit profile*
- *Any significant debt funded capex and its funding mix leading to a substantial deterioration in the credit profile*

Detailed description of the key rating drivers

Key rating strengths

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 the 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 current managing director of the company is Mr. Amandeep Gupta who holds around three decades of experience in Business Operations Management, Strategy, Incubation etc. The board of directors also includes Ms Pallavi Shroff (partner in Amarchand & Mangaldas & Suresh A Shroff & Co), Mr. Rajiv Dewan (Chartered Accountant) and Mr. Deepak Nanda (an alumnus of IIM Ahmedabad) who holds more than three decades of experience in business development, client relationship, project implementation. Mr. Abhishek Gupta (son of Mr. Rajinder Gupta), the Chief-Strategic Marketing, holds a degree in International Marketing from Harvard Business School. 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.

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

Stable operating performance: The capacity utilization levels in both, bed and bath linen witnessed an increase in FY19 (to 76% and 61%, respectively), on the back of higher demand in both the segments. The same continued to remain steady in 9MFY20 also, compared to the same period previous year. Better operational performance in the home textile segment also led to increased in-house consumption of yarn, resulting in healthy capacity utilization levels, of 98% in FY19, for the yarn segment. However, owing to sluggish outside demand, the capacity utilization levels dipped slightly to 95% in 9MFY20, compared to 98% in 9MFY19. In the paper segment, the capacity utilization levels continued to remain healthy in FY19 (89%) and broadly in-line with the past. However, 9MFY20, saw some moderation in demand leading to slightly reduced capacity utilization level of 87% (compared to 89% in 9MFY19).

Comfortable financial risk profile: During FY19, the total operating income of Trident grew by ~12%, on the back of growth witnessed in both textile and paper segment. In the textile segment, the income growth was mainly on account of increased quantity sold and better sales realisations in the home textiles segment. The paper segment also witnessed a favourable demand and supply scenario leading to improved sales realizations. The PBILDT margins of the company continued to remain healthy, but declined slightly to 21.08% in FY19 (21.76% in FY18). The margins have been supported by the integrated nature of operations, wherein 60-70% of the yarn requirement is being met in-house. Further, the company has a captive power facility in Punjab, which also supports the margins. The PAT margins of the company improved from 5.53% in FY18 to 6.86% in FY19, because of lower depreciation and interest expenses.
The long term debt to equity ratio and overall gearing ratio stood comfortable at 0.45x and 0.84x, respectively, as on March 31, 2019, improving from 0.60x and 1.02x, respectively, as on March 31, 2018. This was on account of repayment of term debt (both scheduled and prepayments done during the year) coupled with accretion of profits to the networth. The debt coverage indicators of the company also remain comfortable. The total debt to GCA improved from 3.80x as on March 31, 2018 to 3.08x as on March 31, 2019 on account of the reduced debt outstanding and increased cash accrual generation. Higher PBILDT in absolute terms along with lower interest burden also led to an improvement in the interest coverage ratio in FY19.
In 9MFY20 (UA), the total income of the company remained almost flat (minor decline of ~3%) as compared to 9MFY19 (UA). The slight moderation was owing to lower demand witnessed in the yarn and paper segment, though demand continued to increase in the home textile segment. Further, despite the one-time write-off of Rs.48.68 Cr. of the MEIS (Merchandise Exports from India Scheme) benefit (post withdrawal of MEIS incentives by the government of India in January 2020, with retrospective effect from March 2019) and increase in raw material prices in the paper segment, the PBILDT margins remained almost at previous period's levels while the PAT margins improved. The same stood at 21.42% and 7.07% respectively, in 9MFY20 (UA), compared to 21.25% and 7.88%, respectively, in 9MFY19 (UA). The interest coverage stood comfortable at 5.98x in 9MFY20 (UA), compared to 5.01x in 9MFY19 (UA) with the improvement attributable to the lower interest expenses.

Diversified and integrated operations: Trident' well-diversified operations can be classified into two divisions: textiles and Paper & Chemicals. The textile division contributed ~81% of the total revenue of the company in FY19 and 9MFY20 (UA). This further comprises of various types of cotton yarn [~31% of the total revenue in FY19 and ~25% in 9MFY20 (UA)] and home textiles [~51% of the total revenue in FY19 and ~56% in 9MFY20 (UA]). The home textiles division in turn comprises of bed linen [~11% of the total revenue in FY19 and ~12% in 9MFY20 (UA]) and bath linen [~40% of the total revenue in FY19 and ~45% in 9MFY20 (UA]). This reduces dependence on a single product line. A significant portion of the yarn requirement of the home textiles division is being met in-house while all weaving and processing is also done in-house. Further the company manufactures various kinds of agro materials based paper including branded copier as well as commercial and battery grade sulphuric acid. Majority of the power requirements for the Punjab based manufacturing units are met through the co-generation plant.

Established relationships with large global retail and institutional brands: Trident has an established presence in both the domestic and export markets. It derived ~57% of the total revenue in FY19 (PY: ~54%) through exports. The company has an established presence in around 100 countries across the globe and caters to 36 countries in the yarn segment and 33 countries in the home textiles segment. It has developed strong relationships with clients comprising of various global retail and institutional brands. Further, under the paper segment also, Trident has presence in 54 countries across the world. In this segment, however, the company derives majority revenue from the copier paper under its own well-established brand names.

Key Rating Weaknesses
Susceptibility to material price volatility: Trident derives majority of its revenue from the textile segment where the primary raw material for the company remains cotton. 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 the peak availability season viz. December to March which exposes the profitability margins of the company to volatility in raw material prices.

Foreign exchange fluctuation risk: Trident reported ~57% of the total revenue in FY19 (PY: ~54%) through exports. Since the company does not enjoy a natural hedge, it 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 FY19, the company has booked net loss of Rs.66.55 Cr. due to foreign exchange fluctuations as compared to a gain of Rs.32.08 Cr. in FY18.

Cyclical and fragmented industry: Trident operates in a cyclical and fragmented textile yarn industry marked by presence of 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 nature of operations.

Strong liquidity position

During FY19, the company repaid Rs.433.2 crore of its term debt against the scheduled debt repayment obligation of Rs.278.5 crores in FY19, thereby making a prepayment of around Rs.154 Cr. The prepayment of term loans was made out of the internal accruals generated. The liquidity of the company derives strength from the cushion in the form of unencumbered fixed deposits of Rs.281.64 Cr., as on March 21, 2020 and cushion available in unutilized working capital borrowings. The average working capital (fund-based) utilization in the twelve months ended January-2020, stood at ~78%. The operating cycle of the company remained elongated at ~115 days as on March 31, 2019 as compared to ~107 days as on March 31, 2018 owing to the continuous growth in operations and stocking of the raw material (cotton) during its availability season. 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 around 5.50% per annum. On account of the interest benefits, the company keeps its available limits utilized while investing the excess liquidity in fixed deposits or debt mutual funds as & when available. In addition the company also avails other fiscal benefits like under the Central Government TUFS (Technology Upgradation Fund Scheme) and Madhya Pradesh Government's TUFS schemes providing further liquidity support. Trident has a repayment obligation of Rs.372.34 Cr. in FY21 for which the cash accrual generation is projected to remain comfortable.

The company has planned a total capex of Rs.1426 Cr. proposed to be completed in phases by March-2021. This comprises of enhancement of spinning capacities, debottlenecking of the paper unit as well as addition of jacquard looms. The major chunk (Rs.1140 Cr.) of the total project cost comprises of the spinning project which is expected to commission by March-2021.The total project cost is to be funded through already tied up loans of Rs.1046 Cr. and remaining out of the internal accruals generated where a sufficient cushion exists. With an overall gearing ratio of 0.84x as on March 31, 2019, the company also has sufficient headroom for the projected debt. Further, in light of the Covid-19 outbreak, higher than anticipated weakening of operating performance will also remain a key rating sensitivity.

Analytical approach– Standalone; also factors in the exposure in terms of corporate guarantee given to the associate company.

Applicable Criteria

Criteria on assigning 'outlook' and 'credit watch'
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
CARE's methodology for manufacturing companies
CARE's methodology for Short Term Instruments
Rating Methodology for Cotton Textile Manufacturing
Rating Methodology: Consolidation and 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, Bath Linen and Bed Linen division and Paper & Chemical Divisions. The company is the one of the world's largest manufacturers of terry towels. The company has its manufacturing facilities located at Barnala (Punjab) and Budni (Madhya Pradesh). As on March 31, 2019, the company had an installed capacity of 542,448 spindles and 6464 rotors producing 115,200 metric tons per annum (MTPA) of yarn, 672 looms for terry towels producing 90,000 MTPA, 500 looms for bed sheet producing 43.9 million meter per annum, 175,000 MTPA of paper and 1,00,000 MTPA of sulphuric acid along with a captive power plant of 49.4 MW.

Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income [1)]	4805.06	5400.04
PBILDT[2)]	1045.45	1138.38
PAT	265.86	370.92
Overall gearing (times)[3)]	1.02	0.84
Interest coverage (times)[4)]	3.92	4.89

A: Audited

[1)] Includes Interest subsidies, power subsidies etc. and forex gains

[2)] Forex losses netted off

[3)] FD backed loan of Rs.100 Cr. has been netted off for the calculation as on March 31, 2018. Networth includes revaluation reserves of RS.690.77 cr. as on March 31, 2018 and 2019

[4)] Interest costs include interest subsidy, subvention benefits and net interest paid

Status of non-cooperation with previous CRA: No Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

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
Fund-based - LT-Term Loan	-	-	December-2027	1812.92	CARE AA-; Stable
Non-fund-based - ST-BG/LC	-	-	-	200.00	CARE A1+
Fund-based - LT/ ST-CC/PC/Bill Discounting	-	-	-	1500.00	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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	165.63	CARE AA-; Stable	-	1)CARE AA-; Stable (14-Dec-18) 2)CARE AA-; Stable (05-Dec-18)	1)CARE AA-; Stable (12-Oct-17)	1)CARE A+; Stable (03-Mar-17) 2)CARE A (12-Oct-16)
2.	Non-fund-based - ST-BG/LC	ST	200.00	CARE A1+	-	1)CARE A1+ (14-Dec-18) 2)CARE A1+ (05-Dec-18)	1)CARE A1+ (12-Oct-17)	1)CARE A1 (03-Mar-17) 2)CARE A1 (12-Oct-16)
3.	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST	1500.00	CARE AA-; Stable / CARE A1+	-	1)CARE AA-; Stable / CARE A1+ (14-Dec-18) 2)CARE AA-;	1)CARE AA-; Stable / CARE A1+ (12-Oct-17)	1)CARE A+; Stable / CARE A1 (03-Mar-17) 2)CARE A /

						Stable / CARE A1+ (05-Dec-18)		CARE A1 (12-Oct-16)
4.	Term Loan-Long Term	LT	1647.29	CARE AA-; Stable	-	1)CARE AA-; Stable (14-Dec-18) 2)CARE AA-; Stable (05-Dec-18)	1)CARE AA-; Stable (12-Oct-17)	1)CARE A+; Stable (03-Mar-17) 2)CARE A (12-Oct-16)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:

Name of the Instrument	Detailed explanation
Term loans and working capital limits	Any change where the stake of existing promoters/controlling stake gets diluted below current level will attract penal charges and be an event of default
Term loans and working capital limits	Non submission/delayed submission of stock statements , Financial follow up reports, audited balance sheets, review/renewal data etc. will attract penal charges and be an event of default
Term loans and working capital limits	60 days prior notice needed before investing by way of equity/loans/advances that breach the financial covenants laid by the bank

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 clarificatio*

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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.

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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